ALKEM LABORATORIES CORPORATION
(A Wholly-Owned Subsidiary of Alkem Laboratories Limited)

FINANCIAL STATEMENT
MARCH 31, 2023
WITH COMPARATIVE FIGURES AS AT MARCH 31, 2022
IN PHILIPPINES PESO

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Alkem Laboratories Corporation
5/F Filipino Bldg. 135 Dela Rosa Cor. Legaspi
Cor. Bolanos Sts., Legaspi Village
Makati City

Report on the Financial Statement

Opinion

We have audited the financial statements of Alkem Laboratories Corporation (a wholly-owned subsidiary of Alkem Laboratories Limited) (the Company) which comprise the statement of financial position as at March 31, 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Matter

The financial statements of the Company as at and for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on May 5, 2022. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Company and accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements taken as a whole.

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 and No. 34-2020

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as required under Revenue Regulations No. 15-2010 and No. 34-2020 in Note 22 to the financial statements is presented by the management for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management of Alkem Laboratories Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CONSTANTINO AND PARTNERS
BOA Registration No. 0213, valid until September 27, 2025
SEC Accreditation No. (AN.) 0213-SEC (Group A)
valid for the audit of 2019 to 2023 financial statements of SEC covered institutions
TIN 000-451-068-000
BIR AN. 08-001507-000-2020, valid until December 21, 2023

By:

JEROME ANTONIO B. CONSTANTINO
Partner
CPA License No. 49553
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TIN 102-084-191-000
BIR AN. 08-001507-002-2020, valid until December 21, 2023

Makati City, Philippines
May 5, 2023

ALKEM LABORATORIES CORPORATION
(A Wholly-Owned Subsidiary of Alkem Laboratories Limited)

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

WITH COMPARATIVE FIGURES AS AT MARCH 31, 2022

(Amounts in Philippine Peso)

	Note	**2023**	2022
ASSETS			
Current Assets			
Cash in bank	5	**₱ 58,219,245**	₱ 69,754,835
Trade and other receivables – net	6	**71,754,374**	31,995,540
Inventories – net	7	**49,057,474**	26,132,590
Prepayments and other current assets	8	**4,198,744**	6,735,673
Total Current Assets		**183,229,837**	134,618,638
Noncurrent Assets			
Property and equipment – net	9	**356,869**	568,460
Deferred tax assets	17	**7,518,551**	3,396,824
Total Noncurrent Assets		**7,875,420**	3,965,284
		₱ 191,105,257	₱ 138,583,922
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱ 74,976,984**	₱ 136,305,793
Income tax payable	17	**2,654,166**	–
Total Current Liabilities		**77,631,150**	136,305,793
Noncurrent Liabilities			
Loan payable	12, 15	**–**	51,960,000
Retirement benefit obligation	11	**3,363,533**	2,865,872
Total Noncurrent Liabilities		**3,363,533**	54,825,872
Total Liabilities		**80,994,683**	191,131,665
Equity (Capital Deficiency)	18		
Capital stock		**513,968,200**	356,762,200
Deficit		**(403,093,782)**	(408,546,099)
Revaluation reserves		**(763,844)**	(763,844)
Total Equity		**110,110,574**	(52,547,743)
		₱ 191,105,257	₱ 138,583,922

See accompanying Notes to Financial Statements.

ALKEM LABORATORIES CORPORATION

(A Wholly-Owned Subsidiary of Alkem Laboratories Limited)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2023

WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2022

(Amounts in Philippine Peso)

	Note	2023	2022
NET SALES	16	**₱ 200,765,135**	₱ 169,546,872
COST OF SALES	13	**69,530,841**	65,812,480
GROSS PROFIT		**131,234,294**	103,734,392
OPERATING EXPENSES	14	**123,736,602**	90,452,143
OPERATING INCOME		**7,497,692**	13,282,249
OTHER INCOME (CHARGES) – net			
Foreign exchange gain (loss) – net	20	**(825,945)**	1,252,367
Interest expense	15	**(522,670)**	(4,550,332)
Reversal of expected credit losses	6	**191,720**	172,791
Interest income	5	**46,268**	48,002
Miscellaneous income		**296,494**	11,155
		(814,133)	(3,066,017)
INCOME BEFORE INCOME TAX		**6,683,559**	10,216,232
INCOME TAX EXPENSE (BENEFIT)	17		
Current		**5,352,969**	2,040,456
Deferred		**(4,121,727)**	(987,513)
		1,231,242	1,052,943
NET INCOME		**₱ 5,452,317**	₱ 9,163,289
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligation	11	**₱ –**	(₱ 1,018,459)
Less: Deferred tax benefit	17	**–**	254,615
			(763,844)
TOTAL COMPREHENSIVE INCOME		**₱ 5,452,317**	₱ 8,399,445

See accompanying Notes to Financial Statements.

ALKEM LABORATORIES CORPORATION
(A Wholly-Owned Subsidiary of Alkem Laboratories Limited)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2023
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2022
(Amounts in Philippine Peso)

	Note	2023	2022
CAPITAL STOCK			
Balance at beginning of year		**₱ 356,762,200**	₱ 356,762,200
Issuance of shares during the year	12, 18	**157,206,000**	–
Balance at end of year		**513,968,200**	356,762,200
DEFICIT	18		
Balance at beginning of year		**(408,546,099)**	(417,709,388)
Net income during the year		**5,452,317**	9,163,289
Balance at end of year		**(403,093,782)**	(408,546,099)
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT BENEFITS			
Balance at beginning of year		**(763,844)**	–
Remeasurement loss on retirement benefit obligation – net of deferred tax		**–**	(763,844)
Balance at end of year		**(763,844)**	(763,844)
		₱ 110,110,574	(₱ 52,547,743)

See accompanying Notes to Financial Statements.

ALKEM LABORATORIES CORPORATION

(A Wholly-Owned Subsidiary of Alkem Laboratories Limited)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2023

WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2022

(Amounts in Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱ 6,683,559**	₱ 10,216,232
Adjustments for:			
Interest and other charges	15	**522,670**	4,550,332
Unrealized foreign exchange loss	20	**506,252**	691,979
Provision for retirement benefit obligation	11	**497,661**	280,441
Depreciation and amortization	9	**382,988**	365,493
Interest income	5	**(46,268)**	(48,002)
Operating income before working capital changes		**8,546,862**	16,056,475
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables – net	6	**(39,758,833)**	4,571,732
Inventories – net	7	**(22,924,884)**	2,040,063
Prepayments and other current assets	8	**2,536,929**	(3,165,721)
Increase (decrease) in trade and other payables	10	**(48,591,548)**	37,496,327
Cash generated from (used in) operations		**(100,191,474)**	56,998,876
Income taxes paid	17	**(2,698,804)**	(3,417,209)
Interest received	5	**46,268**	48,002
Net cash flows provided by (used in) operating activities		**(102,844,010)**	53,629,669
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisitions of property and equipment	9	**(171,397)**	(405,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	12	**157,206,000**	–
Payment of loan payable:	12, 15		
Principal		**(51,960,000)**	–
Interest		**(13,470,630)**	–
Cash flows provided by financing activities		**91,775,370**	–
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(295,553)**	–
NET INCREASE (DECREASE) IN CASH IN BANK		**(11,535,590)**	53,224,160
CASH IN BANK AT BEGINNING OF YEAR	5	**69,754,835**	16,530,675
CASH IN BANK AT END OF YEAR	5	**₱ 58,219,245**	₱ 69,754,835

See accompanying Notes to Financial Statements.

1. Corporate Information

Alkem Laboratories Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 7, 2008, primarily to engage in the business of manufacturing, buying, wholesale selling, importing, exporting of and/or dealings in pharmaceuticals, drugs, cosmetics, chemicals, food products, oils, powder, veterinary and surgical equipment, medical preparations; to carry on the business of distributors of pharmaceuticals specialties like injections, capsules, elixirs, tablets, ointments, etc., cosmetics, pesticides, fertilizer and medical preparations; to manufacture and produce all apparatus, appliances and things used in connection therewith or with any inventions, patents or privileges for the time being belonging to the Company; to manufacture and deal (whether by wholesale or retail) in all other goods and things of such a nature that in the opinion of the Company be conveniently manufactured or dealt in with any of the foregoing business; and, to provide training for medical representatives.

The Company is a wholly-owned subsidiary of Alkem Laboratories Limited (the Parent Company), a company incorporated and domiciled in India. The Parent Company is engaged in the development, manufacture, and sale of pharmaceutical and nutraceutical products.

The registered office address of the Company, which is also its principal place of business, is located at 5/F Filipino Bldg. 135 Dela Rosa Cor. Legaspi Cor. Bolanos Sts., Legaspi Village, Makati City, Metro Manila, while the registered office address of the Parent Company is located at Alkem House, Senapati Bapat Marg, Lower Parel, Mumbai, India.

Authorization for Issuance of Financial Statement
The accompanying financial statement as at and for the years ended March 31, 2023 and 2022 were approved and authorized for issue by the Company's Board of Directors (BOD) on May 5, 2023.

2. Basis of Preparation

Statement of Compliance
The accompanying financial statements of the Company have been prepared using the historical cost basis. The accompanying financial statement have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by SEC.

Statement of Exemption to Adopt PFRS for Small and Medium-sized Entities (SMEs)
The PFRS for SMEs has been approved and is effective for annual periods beginning January 1, 2010. In accordance with the Revised Securities and Regulation Code (SRC) Rule 68, small and medium-sized entities are those entities that have total assets of more than ₱100 million to ₱350 million or total liabilities of more than ₱100 million to ₱250 million. Based on the guidelines issued by the SEC, the Company qualifies as a small and medium-sized entity. However, the Company continues to present its financial statement as at March 31, 2023 and 2022 and for the years then ended under full PFRS on the basis that it is a part of a group that is reporting under International Financial Reporting Standards (IFRS), a ground for exemption from the mandatory adoption of PFRS for SMEs.

3. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

Changes in Accounting Policies and Disclosures
The accounting policies adopted by the Company are consistent with those of the previous financial years except for the adoption of new and amended standards effective January 1, 2022. Unless otherwise indicated, the adoption of these new standards and amendments did not have any significant impact on the Company's financial statement.

- Amendments to PFRS 3, *"Reference to the Conceptual Framework"*
  The changes in Reference to the Conceptual Framework (Amendments to PFRS 3):

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *"Property, Plant and Equipment - Proceeds before Intended Use"*
  The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

  The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statement in which the entity first applies the amendments.

- Amendments to PAS 37, *"Onerous Contracts - Cost of Fulfilling a Contract"*
  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *"Subsidiary as a first-time adopter"*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *"Fees in the '10 per cent' test for derecognition of financial liabilities"*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 16, *"Lease Incentives"*
    The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

    The amendment to PFRS 16 only regards an illustrative example, so no effective date is stated.

  - Amendments to PAS 41, *"Agriculture*, *Taxation in fair value measurements"*
    The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

Standards Issued but Not Yet Effective
The standards and interpretations that are issued but not yet effective for the year ended December 31, 2022 are listed below. The Company will adopt these standards when these become effective and applicable to the Company. Except as otherwise indicated, the Company does not expect the adoption of these standards and interpretations to have a significant impact on its financial statement.

Effective for Year 2023
- Amendments to PAS 1, *"Classification of Liabilities as Current or Non-current"*
- Amendments to PAS 8, *"Definition of Accounting Estimates"*
- Amendments to PAS 12, *"Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*
- Amendments to PAS 1 and PFRS Practice Statement 2, *"Disclosure of Accounting Policies"*

Effective for Year 2024
- Amendments to PAS 1, *"Presentation of Financial Statements, Non-current Liabilities with Covenants"*
- Amendments to PFRS 16, *"Leases, Lease Liability in a Sale and Leaseback"*

Effective for Year 2025
- PFRS 17, *"Insurance Contracts"*

Deferred Effectivity
- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

The Company will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statement required by the above standards and interpretations will be included in the Company's financial statement when these are adopted.

Current and Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading or rendering of services,
- expected to be realized within twelve (12) months after the reporting period,
- expected to be settled on demand, or
- cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading or rendering of services,
- it is due to be settled within twelve (12) months after the reporting period,
- it is expected to be settled on demand, or
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statement on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Financial Instruments

A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade and other receivables that do not contain significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade and other receivables that do not contain a significant financing component or which the Company has applied the practical expedient are measured at transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Company makes an assessment of the objective of the business model in which financial assets held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For purposes of subsequent measurement, financial assets are classified in the following measurement categories:

- Financial assets at amortized cost
  The Company measures financial assets at amortized cost if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

  The Company's financial assets at amortized cost include cash in bank, trade and other receivables, and refundable deposits.

- Financial assets at FVOCI
  Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to impairment assessment.

  The Company has no financial assets at FVPL as at March 31, 2023 and 2022.

- Financial assets at FVPL
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

  The Company has no financial assets at FVPL as at March 31, 2023 and 2022.

Impairment of Financial Assets
The Company assesses on a forward-looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

PFRS 9 provides that in measuring ECL, the Company must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve (12) months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company applies general approach to cash in bank and refundable deposits. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

For trade receivables, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are sixty (60) days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Modification of Financial Assets
Where possible, the Company seeks to modify or re-negotiate the terms of its trade and other receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Company continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Company may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset’s original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Write-off Policy
The Company writes off a financial asset after a certain period since the time the trade and other receivables has been determined to be impaired. Trade and other receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Company.

Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of Financial Assets
A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement, or (3) the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. Issued financial instruments or their components, which are not designated as financial liabilities at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or other financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

For purposes of subsequent measurement, financial liabilities are classified in the following measurement categories:

- Financial liabilities measured at amortized cost
  Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) from any related premium, discount and any directly attributable transaction costs.

  Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are classified as current liabilities if settlement is within twelve (12) months from the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

  Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

  The Company's financial liabilities measured at amortized cost includes trade and other payables (excluding government payables and output VAT) and loan payable as at March 31, 2023 and 2022.

- Financial liabilities measured at FVPL
  A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

The Company has no financial liabilities at FVPL as at March 31, 2023 and 2022.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Advances to Employees
Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are initially recorded at actual cash advanced to employees and are subsequently applied to the related assets, cost or expenses incurred.

Inventories
Inventories are valued at the lower of cost and net realizable value.

Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Prepayments
Prepayments are expenses paid in advance and recorded as asset before they are utilized. These are initially recorded at actual cash amounts paid and subsequently amortized as the benefits are received by the Company. Prepayments that are expected to be realized for no more than twelve (12) months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent assets.

Input Value Added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT is presented as current asset and will be used to offset against the Company's current output VAT liabilities arising from vatable sales and/or receipts. Input VAT is stated at its realizable value. Input VAT is initially recognized at actual amount paid and subsequently stated at its recoverable amount (unutilized amount less impairment, if any).

Right of Return Asset
Right of return asset represents the Company's right to receive goods back from the customers. The asset is initially measured at the carrying amount of the goods at the time of sale, less any expected costs to recover the goods and any expected reduction in value. In some instances, the asset could be immediately impaired if the Company expects that the returned goods will have diminished or no value at the time of return.

Creditable Withholding Tax
Creditable withholding tax is recognized for income taxes withheld by customers. The balance at the end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is initially recognized at actual amount withheld and subsequently stated at net recoverable value (unutilized amount less impairment).

Property and Equipment
Property and equipment are initially recorded at cost and subsequently carried at cost less accumulated depreciation and amortization and impairment in value, if any. The initial 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; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization commence once the assets are available for use and is computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are depreciated over their estimated lives or term of the lease, whichever is shorter.

	Years
Furniture and fixtures	3
Computer and software	3
Office equipment	3

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 the statement of comprehensive income in the period it was derecognized.

Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset.

The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale in progress. Capitalization ceases when substantially all such activities are complete.

Impairment of Nonfinancial Assets

An assessment is made at each end of the financial reporting period to determine whether there is any indication of impairment on nonfinancial assets, which include other receivables, prepayments and other current assets and property and equipment, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal evaluation of discounted cash flow.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Employee Benefits

Short-term Benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term employee benefits given by the Company includes salaries and wages, life and health insurances, social security system contributions, bonuses and other non-monetary benefits.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting period.

Retirement Benefit Obligation
The Company's retirement benefit cost is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Retirement benefit costs are categorized as follows:
- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlement).
- Net interest expense or income.
- Remeasurement on the retirement obligation or asset.

The current service cost is a level annual amount or a fixed percentage of salary which, when invested at the rate of interest assumed in the actuarial valuation, is sufficient to provide the required retirement benefit at the employee's retirement.

Past service cost is the present value of the excess of the projected retirement benefits over the amount expected to be provided by future contributions based on the service cost.

Net interest on the retirement benefit obligation or asset is the change during the period in the net defined retirement obligation or asset that arises from the passage of time. Net interest is recognized in profit or loss.

Remeasurement comprises actuarial gains and losses and the return on plan assets, excluding amounts included in net interest on the net retirement obligation or asset and any change in the effect of the asset ceiling, excluding amounts included in net interest on the retirement benefit obligation or asset.

Actuarial gains and losses are changes in the present value of the retirement benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial gains and losses are immediately recognized in other comprehensive income.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation.

Termination Benefits
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Related Party Transactions and Relationships

Related party transactions are transfers 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; (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, and (d) other related parties such as directors, officers and stockholders.

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

Equity

- *Capital stock* represents the nominal value of shares that have been issued.
- *Deficit* represents the accumulated total income and losses net of dividend payment to stockholders, if any.
- *Revaluation reserves* comprises the net actuarial gains and losses on the Company's retirement obligation as a result of re-measurement.

Revenue and Expense Recognition

Revenue

This comprises of revenue from sale of pharmaceutical products.

The Company recognizes revenue to depict the transfer of promise of services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The Company applies the following five steps:

1. Identify the contract(s) with the customers.
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to the customers the services that are distinct.
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised services to the customers. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised services to the customers.
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct service promised in the contract.
5. Recognize revenue when a performance obligation is satisfied by transferring a promised service to the customers (which is when the customers obtain control of that service). A performance obligation may be satisfied over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as principal in all its revenue arrangement.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of pharmaceutical products. Revenue is recognized as the control transfers at a point in time with the customer. Invoices for goods transferred are due upon receipt by the customer.

Other income. Income is recognized when earned.

Cost and Expenses
Cost and expenses are recognized upon receipt of goods or utilization of the service at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are reported on accrual basis.

<u>Leases</u>
The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term. The Company accounts for its leases as follows:

Initial and subsequent measurement of ROU asset
ROU assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The ROU assets are recognized at the present value of the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position.

Subsequently, ROU assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liability. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. Otherwise, the Company will depreciate the ROU asset from the commencement date to the earlier of the end of the useful life of each ROU asset or the end of lease term.

In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Initial and subsequent measurement of lease liabilities
Lease liabilities are measured at the present value of remaining lease payments at the date of adoption, discounted using the interest rate implicit to the lease, if that rate can be readily determined. Otherwise, the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by a subsidiary, which does not have recent third-party financing;
- makes adjustments specific to the lease, such as term and security; and

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments included in the measurement of a lease liability comprise of the following:
- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price under a purchase option that the Company is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liabilities are subsequently measured at amortized cost. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease terms are negotiated on an individual basis and contain similar terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Short-term leases and leases of low-value assets
Payments associated with short-term leases of equipment and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve (12) months or less without a purchase option.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense in the period these are incurred.

<u>Income Taxes</u>
Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in other comprehensive income or 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 using 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 provided, 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 deferred tax asset can be utilized.

The carrying amount of deferred tax asset 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.

Deferred tax assets and 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 substantially enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income are recognized directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency-Denominated Transactions and Translations

The Company's financial statement are presented in Philippine Peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at financial reporting date. All differences are taken to the statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Contingencies

Contingent liabilities are not recognized in the financial statement. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statement but disclosed when an inflow of economic benefit is probable.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each end of financial reporting period and adjusted to reflect the current best estimate.

Events After the End of the Financial Reporting Period

Post year-end events that provide additional information about the Company's position at the end of the financial reporting period, if any, (adjusting events) are reflected in the Company's financial statement. Post year-end events that are non-adjusting events are disclosed in the notes to financial statement when material.

4. Management's Use of Judgments and Estimates

The Company's financial statement prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statement 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 the circumstances. Actual results may ultimately differ from these estimates.

The following are the significant accounting judgments and estimates made by the Company's managements:

<u>Judgments</u>
In the process of applying the Company's accounting policies, management has made significant judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

- *Determination of Functional Currency*
  Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be Philippines Peso. Philippines Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale of services and the costs of providing such services.

- *Classification of Financial Instruments*
  The Company's classification of financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Company's business model for managing them. The Company determines the classification at initial recognition and re-evaluates this designation at every reporting date.

- *Determination of Inventory Cost*
  The Company's costing policies and procedures were based on careful evaluation of present circumstances and facts affecting production operations. Review of the benchmarks set by management necessary for the determination of inventory costs and allocation of overheads is done regularly. Actual data is being compared to the related benchmarks to assess reliability of the costing policies and procedures which are currently in place and make the necessary revisions in the light of current conditions.

- *Determining Whether an Agreement Contains a Lease*
  The Company uses its judgement in determining whether an arrangement contains a lease, based on the substance of the arrangement at the inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys the right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership of the Company.

- *Classification of Lease*
  For long-term leases, the Company has recognized right-of-use assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate on the lease contracts.

  The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on the period it is incurred.

- *Measurement of Refundable Deposits*
  The future cash flows of refundable deposits from the leases cannot be readily determined nor reliably measured because the actual timing of payment cannot be reasonably predicted as these deposits are generally redeposited every renewal of lease contract, the new terms and conditions thereof are not yet known. Further, the deposit that will actually be repaid to the Company is also attached to a conditional repayment provision that is the faithful performance by the Company as a lessee of its obligations under the lease contracts. Accordingly, refundable deposits are carried at cost less any impairment.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

- *Determination of Fair Value of Financial Instruments*
  PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

  The summary of carrying and fair values of the Company's financial instruments as at March 31, 2023 and 2022 is shown in Note 19.

- *Estimating Impairment of Financial Assets*
  The Company applies general approach for determining the ECLs of cash in bank and refundable deposits. A credit loss is the difference between the cash flows that are expected to be received, discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowances for financial assets are based on the assumptions about risk of default and expected loss rates.

  For trade receivables, the Company applies the simplified approach in calculating ECLs. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Management assessed the credit risk of the trade and other receivables as of the reporting date is low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

  Allowance for impairment of receivables amounted to ₱2.5 million and ₱2.7 million as at March 31, 2023 and 2022, respectively (see Note 6).

- *Sales Discounts and Right of Return*
  The Company's contract of sale has variable consideration which is the right of return given to the customers within a specified period. Given the large number of contracts of the same characteristics, the Company considered the expected value method under the provisions of PFRS 15 which better predicts the amounts of consideration it will be required to return and receive involving the customer's right of return.

  The Company recognizes provision for refund and refund liability, and the related right of return asset in relation to right of return given to customers. Provision for refund and refund liability is estimated based on historical information of the Company's sales returns.

  Provision for refund is offset against revenue, while the carrying amount of refund liability is presented as part of Trade and Other Payables account in the statement of financial position (see Note 10). On the other hand, the related cost from the establishment of the provision for refund is offset against cost of sales, while the carrying amount of the right of return asset is presented as part of Prepayments and Other Current Assets account in the statement of financial position (see Note 8).

The Company's contract of sale has a variable consideration which is the sales discounts given to customers. Given the large number of contracts of the same characteristics, the Company considered the expected value method under provisions of PFRS 15 which better predicts the amounts of consideration it will be required to determine the transaction price and amount allocated to sales discounts.

Management has deemed that it has provided adequate allowance for sales discounts during the reporting periods and has determined that it will not have significant impact on the Company's financial statement since it does not expect any sales discounts in the future periods pertaining to current and prior year sales.

- *Estimating Net Realizable Value of Inventories*
  The Company's estimates of the net realizable value of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

- *Estimating Provision for Inventory Losses and Obsolescence*
  The Company recognizes a provision for inventory obsolescence and losses whenever the net realizable value of the inventories becomes lower than cost due to damage, physical deterioration, technological and commercial obsolescence or other causes. The provision account is reviewed on a periodic basis to reflect the accurate valuation of the Company's inventories. Inventory items identified to be obsolete and unusable are written-off and charged as expense for the period.

  Provision for inventory losses and obsolescence in 2023 and 2022 amounted to ₱5.1 million and ₱3.3 million, respectively (see Note 14). The Company's inventories, net of allowance for inventory obsolescence, amounted to ₱49.1 million and ₱26.1 million as at March 31, 2023 and 2022, respectively (see Note 7).

- *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 the previous estimates due to physical wear and tear, and commercial obsolescence of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

  The analysis of the carrying amounts of the property and equipment as at March 31, 2023 and 2022 is presented in Note 9.

  Based on management's assessment, there were no changes in the estimated useful lives of investment properties and property and equipment in 2023 and 2022.

- *Estimating Impairment of Nonfinancial Assets*
  The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company consider important which could trigger an impairment review include the following:
  - significant underperformance relative to expected historical or projected future operating results;
  - significant changes in the manner of use of the acquired assets or the strategy for overall business; and
  - significant negative industry or economic trends.

  These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

  In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the consolidated financial statement.

  An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

  Based on management’s assessment, the recoverable values of the assets exceed their carrying value as at March 31, 2023 and 2022.

- *Estimating Retirement and Other Benefits*
  The determination of the Company’s obligation and cost of pension and other retirement benefits is dependent on management’s assumptions used by the Company’s independent actuary in calculating such amounts. Those assumptions are described in Note 11 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

  As at March 31, 2023 and 2022, retirement benefit obligation amounted to ₱3.4 million and ₱2.9 million, respectively (see Note 11).

- *Estimating 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.

  Based on management’s assessment, deferred tax assets as at March 31, 2023 and 2022 will be fully utilized in the subsequent periods (see Note 17).

  The Company’s deferred tax assets amounted to ₱7.5 million and ₱3.4 million as at March 31, 2023 and 2022, respectively (see Note 17).

- *Estimating Provision for Contingencies*
  The Company is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  No provision for contingent liability is recognized in 2023 and 2022.

5. Cash in Bank

This account consists of cash in bank amounting to ₱58.2 million and ₱69.8 million as at March 31, 2023 and 2022, respectively.

Cash in bank earns interest at the respective bank deposit rates. The cash in bank of the Company as at March 31, 2023 and 2022 are not legally restricted as to withdrawal.

Interest income earned from cash deposits amounted to ₱46,268 and ₱48,002 in 2023 and 2022, respectively.

6. Trade and Other Receivables – net

This account consists of:

	2023	2022
Trade receivables	**₱69,069,113**	₱31,050,466
Other receivables	**5,174,237**	3,625,770
	74,243,350	34,676,236
Less: Allowance for doubtful accounts	**(2,488,976)**	(2,680,696)
	₱71,754,374	₱31,995,540

Trade receivables are noninterest-bearing and are normally settled on 60 to 90 days term, and some settled on 120 days term.

The balance of trade receivables amounted to ₱36.6 million as at March 31, 2021.

Rollforward analysis of allowance for doubtful accounts as at March 31, 2023 and 2022 follows:

	2023	2022
Balance at beginning of year	**₱2,680,696**	₱2,853,487
Reversal during the year	**(191,720)**	(172,791)
Balance at end of year	**₱2,488,976**	₱2,680,696

Other receivables pertain to advances given to the Company's employees that are subject for liquidation within a year. These advances are noninterest-bearing and are used for operating and marketing expenses.

The Company's receivables have been reviewed for indicators of impairment. Management believes that the allowance for doubtful accounts as at March 31, 2023 and 2022 is adequate to cover any possible loss.

In 2023 and 2022, the Company assessed that previously impaired trade and other receivables are recoverable hence, the related allowance for impairment amounting to ₱191,720 and ₱172,191, respectively, were reversed. The gain on reversal is presented under "Other Charges – net" in the statement of comprehensive income.

There are no receivables that are pledged as securities to any liabilities as at March 31, 2023 and 2022.

7. **Inventories** – net

The details of inventories are as follows:

	2023	2022
Inventories		
At cost	**₱49,057,474**	₱26,132,590
At net realizable value		
Cost	**14,375,263**	9,302,532
Allowance for inventory obsolescence	**(14,375,263)**	(9,302,532)
Total	**₱49,057,474**	₱26,132,590

Rollforward analysis of allowance for inventory obsolescence as at March 31, 2023 and 2022 follows:

	Note	**2023**	2022
Balance at beginning of year		**₱9,302,532**	₱8,923,941
Provision for inventory losses and obsolescence	14	**5,072,731**	3,297,147
Write-off during the year		**–**	(2,918,556)
Balance at end of year		**₱14,375,263**	₱9,302,532

In 2023 and 2022, the Company recognized an additional provision for inventory losses and obsolescence amounting to ₱5.1 million and ₱3.3 million, respectively, which are presented under Operating Expenses in the statement of comprehensive income (see Note 14). The Company has also written-off destroyed, damaged and expired inventories amounting to ₱2.9 million in 2022.

The shelf life of the pharmaceutical drug products is generally between 24 months to 36 months. The provision for impairment is recognized mainly to provide reserves for slow moving, near expiry, phased-out and damaged stocks mostly coming from trade returns.

There are no inventories that are pledged as securities to any liabilities as at March 31, 2023 and 2022.

8. **Prepayments and Other Current Assets**

This account consists of:

	Note	**2023**	2022
Right of return asset		**₱1,908,686**	₱2,545,145
Creditable withholding taxes		**1,493,425**	–
Refundable deposits	15	**517,624**	34,211

(Forward)

(Carryforward)

	2023	2022
Prepaid taxes and licenses	**₱279,009**	₱–
Input VAT	**–**	4,156,317
Total	**₱4,198,744**	₱6,735,673

Right of return asset pertains to the Company's right to receive goods back from its customers based on its expected returns in the succeeding years in accordance with PFRS 15.

Refundable deposits include deposits for office rent and multifunction printer.

9. **Property and Equipment** – net

The rollforward analysis of this account follows:

	2023				
	Leasehold improvements	Furniture and fixtures	Computer and software	Office equipment	Total
Cost:					
Balance at beginning of year	₱1,796,056	₱756,477	₱1,792,416	₱292,556	₱4,637,505
Additions	–	–	171,397	–	171,397
Balance at end of year	1,796,056	756,477	1,963,813	292,556	4,808,902
Accumulated depreciation:					
Balance at beginning of year	₱1,796,056	₱756,477	₱1,223,956	₱292,556	₱4,069,045
Depreciation (see Note 14)	–	–	382,988	–	382,988
Balance at end of year	1,796,056	756,477	1,606,944	292,556	4,452,033
Net carrying value	**₱–**	**₱–**	**₱356,869**	**₱–**	**₱356,869**

	2022				
	Leasehold improvements	Furniture and fixtures	Computer and software	Office equipment	Total
Cost:					
Balance at beginning of year	₱1,796,056	₱756,477	₱1,386,907	₱292,556	₱4,231,996
Additions	–	–	405,509	–	405,509
Balance at end of year	1,796,056	756,477	1,792,416	292,556	4,637,505
Accumulated depreciation:					
Balance at beginning of year	1,796,056	756,477	858,463	292,556	3,703,552
Depreciation (see Note 14)	–	–	365,493	–	365,493
Balance at end of year	1,796,056	756,477	1,223,956	292,556	4,069,045
Net carrying value	₱–	₱–	₱568,460	₱–	₱568,460

Cost of fully depreciated property and equipment that are still in use by the Company amounted to ₱3.6 million and ₱2.8 million as at March 31, 2023 and 2022, respectively.

Management believes that there are no indications of impairment in its property and equipment as at March 31, 2023 and 2022.

There is no contractual commitment entered into by the Company during the year and no property and equipment were pledged to any of the Company's debt. Also, there was no borrowing cost recognized in 2023 and 2022.

10. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trades payables			
Related party	12	**₱37,992,737**	₱104,354,584
Third parties		**22,493,912**	9,736,708
Accrued expenses			
Related party	12, 15	**–**	13,470,630
Third parties		**9,279,254**	6,407,451
Refund liability		**2,245,513**	1,468,719
Output VAT		**1,652,787**	–
Government payables		**1,312,781**	867,701
		₱74,976,984	₱136,305,793

Trade payables are noninterest-bearing and are normally settled on 60 to 90 days term for third party creditors and on demand for related party creditor.

Accrued expenses include salaries payable, distribution charges and accrued interest.

Refund liability refers to the allowance of consideration that the Company does not expect to be entitled to as it will be refunded to the customers.

Government payables consist of statutory payables such as withholding taxes and employee payroll premium contributions (i.e., SSS, Philhealth and HDMF).

Management considers the carrying amounts of trade and other payables recognized in the statement of financial position to be reasonable approximation of their fair values due to their short duration.

11. Retirement Benefit Obligation

In 2022, the Company has engaged the services of an independent actuary for the valuation of its retirement benefit obligation which included the actuarial amounts for 2023.

The movements in the present value of the post-employment defined benefit obligation recognized in the statement of financial position are as follows:

	Note	2023	2022
Balance at beginning of year		**₱2,865,872**	₱1,566,972
Current service cost	14	**497,661**	280,441
Actuarial losses (gains) arising from:			
Deviations of experience from assumptions		**–**	1,771,644
Changes in financial assumptions		**–**	(1,081,449)
Changes in demographic assumptions		**–**	328,264
Balance at end of year		**₱3,363,533**	₱2,865,872

In determining the amounts of the retirement benefit obligation, the following significant actuarial assumptions were used as of March 31, 2023 and 2022:

	2023	2022
Discount rate	**5.62%**	5.62%
Expected salary increase rate	**3.00%**	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 21 years in 2023 and 2022. These assumptions were developed by management with the assistance of an independent actuary in 2022. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The remeasurement loss on retirement benefit obligation – net of deferred tax recognized in other comprehensive income amounted to ₱763,844 in 2022. No remeasurement gain or loss recognized in 2023.

The cumulative remeasurement loss on retirement benefits – net of deferred tax as recognized in the statements of financial position and statements of changes in equity amounted to ₱763,844 as at March 31, 2023 and 2022.

The details of the rollforward of cumulative remeasurement loss – net of deferred tax presented in the statements of changes in equity follows:

	2023	2022
Balance at beginning of year	**₱763,844**	₱–
Remeasurement loss on retirement benefit obligation	**–**	763,844
Balance at end of year	**₱763,844**	₱763,844

Risks Associated with the Retirement Benefit Obligation

The plan exposes the Company to certain risks such as longevity risk and salary risk. Details of these risks are described below.

Longevity and Salary Risks
The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

Sensitivity Analysis
The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at March 31, 2023 and 2022.

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/-1.00%	(₱304,805)	₱368,695
Expected salary increase rate	+/-1.00%	378,825	(322,642)
Employee turnover rate	+/-10.00%	86,336	(86,336)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statement of financial position.

As at March 31, 2023 and 2022, the post-employment defined benefit obligation amounted to ₱3.4 million and ₱2.9 million, respectively.

12. Related Party Transactions

a. The Company, in the normal course of business, enters into transactions with related parties.

b. The columnar presentation of transactions with its related parties follows:

	2023			
Category	Transactions Additions (Deductions)	Outstanding balance	Terms and conditions	Guaranty/Settlement/ Provision/Commitments
Parent Company				
1. Loan payable (see Note 15)	(₱51,960,000)	₱–	Payable on demand	Unsecured; not guaranteed; interest-bearing
2. Interest payable and expense (see Note 10 and 15)	(13,470,630)	–	Payable on demand	Unsecured; not guaranteed; interest-bearing
3. Trade payables (see Note 10)		37,992,737	Payable on demand	Unsecured; not guaranteed; non-interest bearing; no commitments
- Purchases	31,799,480			
- Payments	(102,355,133)			
- Foreign currency translation	4,193,806			
4. Subscription of share capital	157,206,000	–	Collectible on demand	Unsecured; not guaranteed; noninterest bearing; not impaired; no commitments

Category	2022 Transactions Additions (Deductions)	Outstanding balance	Terms and conditions	Guaranty/Settlement/ Provision/Commitments
Parent Company				
1. Loan payable (see Note 15)	₱3,494,000	₱51,960,000	Payable on demand	Unsecured; not guaranteed; interest-bearing; no commitments
2. Interest payable and expense (see Note 10 and 15)	4,550,332	13,470,630	Payable on demand	Unsecured; not guaranteed; interest-bearing; no commitments
3. Trade payables (see Note 10)	43,089,616	104,354,584	Payable on demand	Unsecured; not guaranteed; non-interest bearing; no commitments

c. The Company has no joint venture, subsidiary and associates.

d. Remuneration paid to key management amounted to ₱14.4 million in 2023 and ₱8.4 million in 2022 which represents salaries and wages and other employee benefits.

e. There are no other significant transactions with related parties.

13. Cost of Sales

This account consists of:

	Note	**2023**	2022
Inventory, beginning		**₱26,132,590**	₱28,172,653
Add: Purchases		**92,455,725**	63,772,417
Total goods available for sale		**118,588,315**	91,945,070
Less: Inventory, ending	7	**49,057,474**	26,132,590
		₱69,530,841	₱65,812,480

14. Operating Expenses

This account consists of:

	Note	**2023**	2022
Salaries and wages		**₱34,206,640**	₱30,388,163
Advertising		**30,452,901**	21,739,981
Sales incentive		**14,175,551**	8,085,372
Travel and transportation		**10,344,510**	5,685,946
Senior citizen discount		**8,769,997**	6,950,897
Provision for inventory losses and obsolescence	7	**5,072,731**	3,297,147
Rental	15	**4,161,289**	2,186,095
Taxes and licenses		**3,431,511**	851,674
Training and seminars		**2,132,563**	–
Insurance expense		**1,862,787**	244,799
Freight out		**1,495,737**	2,037,682
Utilities		**1,362,650**	1,352,867

(Forward)

(Carryforward)

	Note	**2023**	2022
Professional fees		**₱965,600**	₱1,351,543
Repairs and maintenance		**803,135**	727,214
Retirement benefit expense	11	**497,661**	280,441
Outside services		**442,055**	70,968
Depreciation and amortization	9	**382,988**	365,493
Fines and penalties		**266,069**	3,027,737
Miscellaneous		**2,910,227**	1,808,124
		₱123,736,602	₱90,452,143

Sales incentives refer to the amounts paid to the medical representatives who are direct employees of the Company.

Rental include warehousing fee, office rental, car rental and rent on office equipment.

Miscellaneous include printing and stationery, bank charges, testing and analytical charges, breakages, distribution charges and other various charges.

15. **Significant Contracts and Agreements**

a. Intercompany Loan Agreement with the Parent Company
On April 2, 2018, the Company entered into a five-year loan facility agreement with a maximum loan amount of $2 million with its Parent Company. There are no debt covenants required under this agreement.

In 2022, the Company received $1 million to sustain its working capital requirements. The loan is unsecured and bears an interest rate of 8%. It is repayable at the end of the loan facility agreement in April 2023 or termination, whichever comes earlier. Interest expense on such loan amounted to ₱522,670 and ₱4.6 million in 2023 and 2022, respectively.

On May 23, 2022, the Company paid the outstanding loan and interest payable amounting to ₱52 million and ₱13.5 million, respectively (see Note 12).

b. Distribution Agreement with Getz Bros. Philippines, Inc. (GBPI)
On April 1, 2015, the Company executed a distribution agreement (Principal Agreement) with GBPI for the exclusive distribution of the Company's pharmaceutical products in finished dosage form in the whole area of the Republic of the Philippines.

The 3rd Supplementary Agreement was executed on March 1, 2021. On March 21, 2022, the 4th Supplementary Agreement was executed to amend the following clauses in the Principal Agreement:

a. As per Clause 1 of the 3rd Supplementary Agreement, the term of the Principal Agreement shall expire on March 31, 2022. The Parties wish to extend the term of the agreement further for a period of three (3) years with effect from April 1, 2022 to March 31, 2025.

b. Appendix B, Chapter 1 - Warehouse Fee of the Principal Agreement shall be amended and read as follows:
   i. The Company agrees to pay warehouse fee to GBPI if the daily average stock balance exceeds the seventy-five (75) days stocking level and excess pallets of promotional materials;
   ii. Effective January 1, 2022 as stated in the 3rd Supplementary Agreement, the Warehouse fee shall be charged at ₱26.00 (Vat-Ex) per pallet per day, counted at the end of the month. This will be invoiced on a monthly basis based on the number of days in the month;
   iii. Effective January 1, 2022, stocks in excess of 75 days stock holding based on the average sales of immediate last three (3) months, will be charged with a warehouse fee of ₱26.00 (Vat-Ex) per pallet per day, counted at the end of the month;
   iv. The Company is charged for a handling fee of 5% Transfer Price for all free goods given to customers as approved by the principal, stock withdrawals of the Company, product recalls and upon termination of the agreement for the transfer of the consigned stocks to the Company or its designee; and
   v. Payments shall be made by the Company within 15 days from date of issuance of debit note by GBPI.

The warehousing fee incurred by the Company amounting to ₱2.3 million and ₱8.5 million in 2023 and 2022, respectively, are presented as part of "Rental" under Operating Expenses in the statement of comprehensive income (see Note 14).

The distribution expenses incurred by the Company amounted to ₱11.8 million and ₱8.5 million in 2023 and 2022, respectively, are presented as part of "Purchases" under Cost of Sales in the statement of comprehensive income (see Note 13).

c. Lease Agreement with A. Aguirre, Inc. (Lessor)
The Company entered into a contract of lease with A. Aguirre, Inc. in June 2020. The term of the contract shall be valid for one (1) year and subject to renewal under terms and conditions acceptable to both parties.

On June 30, 2021, the Company renewed its contract for one (1) year which shall commence on June 6, 2021 until June 5, 2022. The monthly rental payment amounted to ₱80,124 which is subject to VAT and withholding tax. In addition to the monthly rent, the Company leased one (1) parking lot for ₱5,665.

Under the terms of the renewed lease, the adjusted amount of refundable deposit amounted to ₱283,105 as at March 31, 2022.

On June 15, 2022, the Company renewed its contract for one (1) year which shall commence on June 6, 2022 until June 5, 2023. The monthly rental payment amounted to ₱84,130 which is subject to VAT and withholding tax. In addition to the monthly rent, the Company leased one (1) parking lot for ₱5,949.

Under the terms of the renewed lease, the adjusted amount of refundable deposit amounted to ₱220,346 as at March 31, 2023.

The related refundable deposits from the above lease are presented as part of the "Refundable deposits" under Prepayments and Other Current Assets in the statement of financial position (see Note 8).

The total rent expense amounting to ₱1.1 million and ₱784,112 in 2023 and 2022, respectively, is presented as part of "Rental" under Operating Expenses in the statement of comprehensive income (see Note 14).

16. **Net Sales**

The Company recognized net sales amounting to ₱200.8 million in 2023 and ₱169.5 million in 2022. This is net of sales returns amounting to ₱3.9 million and ₱2.7 million in 2023 and 2022, respectively. The Company derives its revenue from sale of pharmaceuticals products to carry on the business of distributors of pharmaceuticals specialties and are recognized at a point in time upon delivery of the goods.

Details of net sales disaggregated according to the Company's major customers are as follows:

	2023	2022
Mercury Drug Corporation	**₱112,275,670**	₱79,328,429
Getz Brothers Philippines Inc.	**77,887,125**	85,530,517
Others	**14,474,609**	7,363,507
	₱204,637,404	₱172,222,453

Performance obligations related to these customers are satisfied at a point in time upon delivery of the goods.

17. **Income Taxes**

a. Current income tax expense pertains to regular corporate income tax (RCIT) in 2023 and 2022, respectively.

b. The reconciliation of income tax expense applicable to income before income tax computed at the statutory income tax rate to income tax expense as shown in the profit or loss follows:

	2023	2022
Income before income tax	**₱6,683,559**	₱10,216,232
Multiplied by statutory tax rate	**25%**	25%
Income tax expense computed at statutory tax rate	**1,670,890**	2,554,058
Income tax effects of:		
Application of excess MCIT over RCIT	**(1,299,301)**	(2,921,955)
Non-deductible expenses	**871,220**	5,832,280
Interest income subject to final tax	**(11,567)**	–
Application of NOLCO	**–**	(4,169,616)
Effect of change in tax rate due to CREATE Act	**–**	(239,411)
Adjustment for income subjected to lower tax rate	**–**	(2,413)
Total income tax - current and deferred	**1,231,242**	1,052,943
Less: Deferred income tax benefit	**(4,121,727)**	(987,513)
Current income tax expense	**5,352,969**	2,040,456
Less: Excess tax credits	**2,698,803**	2,040,456
Income tax payable	**₱2,654,166**	₱–

c. The components of the Company's deferred tax assets and liabilities in the statement of financial position follows:

		2023		
	Note	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
Deferred tax assets:				
Allowance for inventory losses	7	₱2,325,633	₱1,268,183	₱3,593,816
Accrued expenses		1,277,239	1,147,436	2,424,675
Retirement benefit obligation	11	716,468	124,415	840,883
Allowance for doubtful accounts	6	448,407	–	448,407
Refund liability	10	367,180	194,199	561,379
		5,134,927	2,734,233	7,869,160
Deferred tax liabilities:				
Unrealized foreign exchange gain – net	20	1,101,816	(1,228,379)	(126,563)
Right of return asset	8	636,287	(159,115)	477,172
		1,738,103	(1,387,494)	350,609
Deferred tax assets – net		**₱3,396,824**	**₱4,121,727**	**₱7,518,551**

		2022		
	Note	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
Deferred tax assets:				
Allowance for inventory losses	7	₱2,007,887	₱317,746	₱2,325,633
Accrued expenses		64,522	1,212,717	1,277,239
Retirement benefit obligation	11	352,569	363,899	716,468
Allowance for doubtful accounts	6	442,444	5,963	448,407
Refund liability	10	770,882	(403,702)	367,180
		3,638,304	1,496,623	5,134,927
Deferred tax liabilities:				
Unrealized foreign exchange gain – net	20	1,192,264	(90,448)	1,101,816
Right of return asset	8	291,344	344,943	636,287
		1,483,608	254,495	1,738,103
Deferred tax assets – net		₱2,154,696	₱1,242,128	₱3,396,824

d. Pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under Revenue Regulations (RR) No. 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2021 and 2020 can be carried over as deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

   The Company did not incur any NOLCO in 2023 and the NOLCO incurred in 2021 amounting to ₱4.2 million was applied against the taxable income in 2022.

e. The Company reported RCIT as it is higher than the MCIT in 2023 and 2022. The details of excess MCIT over RCIT as at March 31, 2023 are as follows:

Year of incurrence	Year of Expiry	Amount Incurred	Applied in Prior Years	Applied in Current Year	Expired	Ending balance
2021	2024	₱683,031	₱–	(₱683,031)	₱–	₱–
2020	2023	1,971,802	(1,355,532)	(616,270)	–	–
2019	2022	1,566,423	(1,566,423)	–	–	–
		₱4,221,256	(₱2,921,955)	(₱1,299,301)	₱–	₱–

The Company does not recognize deferred tax assets relating to NOLCO and excess MCIT over RCIT as management has assessed that they may not be able to realize the related tax benefits within the prescribed availment period. There were no unrecognized deferred tax assets relating to NOLCO and excess MCIT over RCIT as of March 31, 2023.

f. The Company opted for the itemized deduction scheme for its income tax reporting in 2023 and 2022.

18. Equity and Capital Management Objectives and Policies

Capital Stock

On June 13, 2022, the Board of Directors of the Company approved the increase of authorized capital stock and additional issuance of common shares.

As at March 31, 2023 and 2022, the capital stock consists of:

	2023	2022
Authorized common shares – ₱100 par value:		
Balance at beginning of year	**4,358,350**	4,358,350
Increase in capital stock	**781,332**	–
Balance at end of year	**5,139,682**	4,358,350
Subscribed and issued common shares:		
Balance at beginning of year	**3,567,622**	3,567,622
Issued shares during the year	**1,572,060**	–
Balance at end of year	**5,139,682**	3,567,622

Capital Management

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 rentals and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to its overall financing structure (i.e., equity and financial liabilities). The Company manages the capital structure and makes adjustments to consider 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, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company considers the following as its capital:

	2023	2022
Capital stock	**₱513,968,200**	₱356,762,200
Deficit	**(403,093,782)**	(408,546,099)
Total	**₱110,874,418**	(₱51,783,899)

Debt-to-equity ratio as at March 31, 2023 and 2022 are as follows:

	2023	2022
Total liabilities	**₱80,994,683**	₱191,131,665
Less: Cash	**58,219,245**	69,754,835
	22,775,438	121,376,830
Total equity (deficit)	**110,110,574**	(52,547,743)
Total capital	**132,886,012**	68,829,087
Debt-to-equity ratio	**0.17**	1.76

The Company is not subject to externally imposed capital requirements.

19. **Financial Instruments**

Summary of Financial Assets and Liabilities by Category

The following tables set forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, recognized as at March 31, 2023 and 2022:

		2023		2022	
	Note	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortized cost:					
Cash in bank	5	₱58,219,245	₱58,219,245	₱69,754,835	₱69,754,835
Trade and other receivables – net*	6	67,275,487	67,275,487	29,256,840	29,256,840
Refundable deposits	8	517,624	517,624	34,211	34,211
		₱126,012,356	₱126,012,356	₱99,045,886	₱99,045,886
Financial liabilities at amortized cost:					
Trade and other payables**	10	₱72,011,416	₱72,011,416	₱135,438,092	₱135,438,092
Loan payable	12, 15	–	–	51,960,000	51,960,000
		₱72,011,416	₱72,011,416	₱187,398,092	₱187,398,092

Excluding advances to employees amounting to ₱4.5 million and ₱2.7 million in 2023 and 2022, respectively. These are net of allowance for doubtful employee advances amounting to ₱695,350 and ₱887,070 in 2023 and 2022, respectively.

***Excluding output VAT and government payables with a total amount of ₱3 million in 2023 and ₱867,701 in 2022.*

Methods and assumptions to estimate fair value

The carrying values of cash in bank, trade and other receivables, trade and other payables and refundable deposits approximate their fair values due to the relatively short-term maturities of the financial instruments or short-term nature of transactions.

The future cash flows for purpose of computing amortized cost of the lease deposits cannot be readily determined and reliably measured because the amount of refundable deposits that will be actually repaid to the tenants is also attached to a conditional repayment provision that is the faithful performance by the tenants of its obligations under the lease contracts. Accordingly, lease deposits are carried at costs less any impairment.

The Company has no financial instruments that are carried at FVPL.

20. **Foreign Currency Denominated Monetary Asset and Liabilities**

The Company's foreign currency denominated monetary asset and liabilities as at March 31, 2023 and 2022 and its Peso equivalent follows:

	2023		2022	
	US Dollars	**Philippine Peso**	US Dollars	Philippine Peso
Monetary asset:				
Cash in bank	**$70,115**	**₱3,816,263**	$10,113	₱525,471
Monetary liabilities:				
Trade payables	**$712,344**	**₱38,772,884**	$2,008,364	₱104,354,593
Accrued interest	**–**	**–**	259,250	13,470,630
Loan payable	**–**	**–**	1,000,000	51,960,000
	$712,344	**₱38,772,884**	$3,267,614	₱169,785,223

These balances have been restated based on the reference rates of BSP as at March 31, 2023 and 2022, which are ₱54.43 and ₱51.96 per US dollar, respectively.

Net foreign exchange gain (loss) is as follows:

	2023	2022
Realized foreign exchange gain (loss)	**(₱319,694)**	₱1,944,346
Unrealized foreign exchange loss	**(506,251)**	(691,979)
	(₱825,945)	₱1,252,367

21. **Financial 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 credit risks, liquidity risks and market risks. The Company's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described in the succeeding paragraphs.

Credit Risk

Credit risk arises from cash in bank as well as credit exposure to trade receivables, including other outstanding receivables, and noncurrent financial assets. The Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and to fully settle unpaid balances. The Company controls this risk through monitoring procedures and regular coordination with the customers. Receivable balances are monitored on an ongoing basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

a. Credit risk exposure

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period, as summarized below:

	Note	**2023**	2022
Cash in bank	5	**₱58,219,245**	₱69,754,835
Trade and other receivables – net*	6	**67,275,487**	29,256,840
Refundable deposits	8	**517,624**	34,211
		₱126,012,356	₱99,045,886

**Excluding advances to employees amounting to ₱4.5 million and ₱2.7 million in 2023 and 2022, respectively. These are net of allowance for doubtful employee advances amounting to ₱695,350 and ₱887,070 in 2023 and 2022, respectively.*

b. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets as at March 31, 2023 and 2022:

	2023				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Cash in bank	₱58,219,245	₱–	₱–	₱–	₱58,219,245
Trade and other receivables*	–	67,275,487	–	1,793,626	69,069,113
Refundable deposits	–	517,624	–	–	517,624
	₱58,219,245	₱67,793,111	₱–	₱1,793,626	₱127,805,982

**Excluding advances to employees amounting to ₱4.5 million which is net of allowance for doubtful employee advances amounting to ₱695,350.*

	2022				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
Cash in bank	₱69,754,835	₱–	₱–	₱–	₱69,754,835
Trade and other receivables*	–	29,256,840	–	1,793,626	31,050,466
Refundable deposits	–	34,211	–	–	34,211
	₱69,754,835	₱29,291,051	₱–	₱1,793,626	₱100,839,512

**Excluding advances to employees amounting to ₱2.7 million which is net of allowance for doubtful employee advances amounting to ₱887,070.*

The Company's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

For banks, the Company only has existing deposit arrangements with either universal or commercial banks, which are considered the first and second top tier banks, respectively, in terms of capitalization as categorized by the Bangko Sentral ng Pilipinas. Thus, cash in bank is classified under high grade financial assets.

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

The Company mainly sells its products to Mercury Drug Corporation (MDC) and distributes its products through Getz Bros. (Phils.), Inc. under a distribution agreement. GBP and MDC are committed to pay for the pharmaceutical and medical products sold for the Company under an existing distribution agreement. The Company closely monitors receivables on an ongoing basis. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. As of March 31, 2023 and 2022, the Company's receivables are composed mainly of receivables from these major customers. This concentration in risk is mitigated by the good credit quality of the counterparties and the good relationship of the Company with these counterparties.

The expected loss rates used in determining the allowance for impairment of trade and other receivables are based on the payment profiles of revenues over a period of 36 months before March 31, 2023 and 2022, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. However, no macroeconomic variables were identified to have a relevant effect on the loss rates of the Company. Additionally, the effects of forward-looking information on the loss rates, if any, are deemed negligible.

In respect of refundable deposits, the Company is not exposed to any significant credit risk since the lessor is financially stable and is in good financial condition. Based on historical information, management consider the credit quality of security deposits to be good.

c. *Impairment assessment*
The Company's financial assets measured at amortized cost are subject to the expected credit loss model.

i. Cash in bank
The management believes that expected credit loss would be immaterial as the Company's cash in bank is deposited to top commercial banks in the Philippines.

ii. Trade and other receivables
The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure expected credit loss, receivables were grouped based on days past due. The expected loss rates are based on the historical credit losses within the period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The Company did not recognize provision for impairment loss in 2023 and 2022.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short-term and long-term obligations. Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

The Company maintains cash to meet its liquidity requirements for up to 30-day period. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company's liabilities have contractual maturities which are summarized below:

		2023			
	Note	Within 6 months	6 to 12 months	More than 12 months	Total
Trade and other payables*	10	₱72,011,416	₱–	₱–	₱72,011,416

**Excluding output VAT and government payables with a total amount of ₱3 million in 2023.*

		2022			
	Note	Within 6 months	6 to 12 months	More than 12 months	Total
Trade and other payables*	10	₱135,438,092	₱–	₱–	₱135,438,092
Loan payable	12, 15	–	51,960,000	–	51,960,000
		₱135,438,092	₱51,960,000	₱–	₱187,398,092

**Excluding output VAT and government payables with a total amount of ₱867,701 in 2022.*

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the end of the reporting period.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. This may have potential impact on the statement of financial position and statement of comprehensive income where monetary items are denominated in a foreign currency which are different from functional currency in which they are measured.

Interest Rate Risk
Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings, if any, are therefore usually obtained and negotiated at fixed rates. As at March 31, 2023 and 2022, the Company has no long-term and short-term bank borrowing.

22. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

I. BIR Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulation (RR) No. 15-2010 amending certain provisions of RR No. 21-2002, as amended and implementing Section 6 (H) of the Tax Code of 1997 which authorize the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statement accompanying the tax returns.

The following information on taxes, duties and license fees for taxable year 2022 is presented for purposes of compliance with the disclosure requirements by the BIR as provided for in its RR 15-2010 and is not a required part of the basic financial statement in accordance with PFRS:

a. Output VAT declared for the year ended March 31, 2023 and the revenue upon which the same was based consists of:

	Gross amount	Output VAT
VATable sales	₱162,615,841	₱19,513,901
Exempt sales	44,991,713	–
	₱207,607,554	₱19,513,901

b. Input VAT
Movement of input taxes in 2023 is as follows:

	Amount
Balance at the beginning of the year	₱3,919,347
Current year's purchases	
Domestic purchases of goods other than capital goods	4,527,863
Importation of goods other than capital goods	5,376,772
Domestic purchase of services	2,708,087
	16,532,069
Less: Used against output VAT	16,532,069
Balance at end of year	₱–

c. Taxes and licenses lodged under Operating Expenses

Documentary stamp tax	₱1,964,715
Business permits	779,109
SEC payments on increase in capital stock	627,628
Annual registration fee	500
Miscellaneous*	59,559
	₱3,431,511

* *Includes various payments for renewal of FDA License to Operate (LTO), application fees of products and annual member ship fees with Philippine Association of Pharmacists in the Pharmaceutical Industry (PAPPI)*

d. Withholding taxes

Tax on compensation and benefits	₱6,839,411
Expanded withholding taxes	3,326,787
	₱10,166,198

e. There were no accruals or payments for the following taxes in 2022:

- Customs duties and tariff fees
- Excise taxes
- Capital gains tax
- Final withholding tax

f. As at March 31, 2022, the Company paid final deficiency tax assessments with the BIR amounting to ₱3 million, inclusive of interests, for tax assessments related to expanded withholding taxes and income taxes for taxable year 2019.

II. BIR RR No. 34-2020

On December 18, 2020, BIR issued RR 34-2020 which prescribed the guidelines and procedures for the submission of BIR Form 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending the pertinent provisions of RR No. 19-2020 and RR No. 15-2010.

The Company is not covered by the requirements and procedures for related party transactions under the said RR as it is not one of the following taxpayers required to file and submit the RPT Form together with the Annual Income Tax Return as provided under Section 2 thereof:

a. Large taxpayer;

b. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;

c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive years; and

d. A related party, as defined under Section 3 of RR No. 19-2020 which has transactions with (a), (b) or (c) above.