



Report of Independent Auditors

The Board of Directors

Curatio Inc.

*(A Wholly Owned Subsidiary of
Torrent Pharmaceuticals Limited)*

Unit 2114 Cityland 10 Tower II
H.V. Dela Costa St., Salcedo Village Bel-air
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Curatio Inc. (the Company), which comprise the statements of financial position as of March 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS) under the liquidation basis of accounting, as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits 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.

Emphasis of Matter

We draw attention to the matter discussed in Note 1 to the financial statements with respect to the status of the Company's operations. In fiscal year 2024, the Board of Directors made its plans to cease the operations of the Company. Due to this, management deemed that it is appropriate to change the Company's basis of accounting from going concern to liquidation basis starting in fiscal year 2024. The accounting policy under the liquidation basis is described in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

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 under the liquidation basis of accounting, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended March 31, 2024, required by the Bureau of Internal Revenue as disclosed in Note 20 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS on the basis described in Note 2 to the financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: 
Niccolo Ian N. Unera
Partner

CPA Reg. No. 0146692

TIN 428-513-274

PTR No. 10076156, January 3, 2024, Makati City

SEC Group A Accreditation

Firm - No. 0002 (until financial period 2024)

BIR AN 08-002551-052-2023 (until Nov. 23, 2026)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 25, 2024



Supplemental Statement of Independent Auditors

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The Board of Directors
Curatio Inc.
(A Wholly Owned Subsidiary of
Torrent Pharmaceuticals Limited.)

Unit 2114 Cityland 10 Tower II
H.V. Dela Costa St., Salcedo Village Bel-air
Makati City

We have audited the financial statements of Curatio, Inc. (the Company) for the year ended March 31, 2024, on which we have rendered the attached report dated April 25, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has only one stockholder owning 100 or more shares of the Company's capital stock as of March 31, 2024, as disclosed in Note 15 to the financial statements.

PUNONGBAYAN & ARAULLO


By: **Niccolo Ian N. Unera**
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April 25, 2024

CURATIO INC.
(A Wholly Owned Subsidiary of Torrent Pharmaceuticals Limited.)
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023 (As restated – see Note 2)
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash	3	P 5,714,087	P 3,034,398
Trade and other receivables - net	4	12,387,092	11,090,033
Inventories	5, 11	4,185,718	2,581,318
Prepayments and other current assets	6	<u>260,087</u>	<u>674,151</u>
Total Current Assets		<u>22,546,984</u>	<u>17,379,900</u>
NON-CURRENT ASSETS			
Property and equipment - net	7	24,604	1,133,368
Right-of-use asset - net	8	927,028	1,274,664
Refundable deposit	8	<u>119,150</u>	<u>109,318</u>
Total Non-current Assets		<u>1,070,782</u>	<u>2,517,350</u>
TOTAL ASSETS		<u><u>P 23,617,766</u></u>	<u><u>P 19,897,250</u></u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts and other payables	9	P 2,035,637	P 1,233,274
Lease liability	8	343,917	287,730
Due to parent company	14	<u>3,640,014</u>	<u>3,658,898</u>
Total Current Liabilities		6,019,568	5,179,902
NON-CURRENT LIABILITY			
Lease liability	8	<u>745,821</u>	<u>1,089,738</u>
Total Liabilities		<u>6,765,389</u>	<u>6,269,640</u>
EQUITY			
Capital stock	15	108,811,100	108,811,100
Deficit		(<u>91,958,723</u>)	(<u>95,183,490</u>)
Total Equity		<u>16,852,377</u>	<u>13,627,610</u>
TOTAL LIABILITIES AND EQUITY		<u><u>P 23,617,766</u></u>	<u><u>P 19,897,250</u></u>

See Notes to Financial Statements.

CURATIO INC.
(A Wholly Owned Subsidiary of Torrent Pharmaceuticals Limited.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
SALE OF GOODS		P 28,437,635	P 30,841,324
COST OF SALES	11	8,164,603	8,538,742
GROSS PROFIT		20,273,032	22,302,582
OPERATING EXPENSES			
Salaries and employee benefits	12, 14	10,943,149	13,406,604
Per diem and transportation allowance		1,218,301	2,762,451
Professional fees		1,073,585	1,034,431
Advertising and promotion		891,676	1,578,054
Depreciation and amortization	7, 8	639,749	656,901
Transportation and travel		487,567	818,280
Impairment loss on receivables	4	398,000	713,996
Communication, light and water		323,700	461,977
Taxes and licenses		168,416	169,616
Rentals	8	64,766	121,910
Representation		52,761	141,542
Repairs and maintenance		46,291	82,409
Miscellaneous	10	741,166	643,145
		17,049,127	22,591,316
OPERATING INCOME (LOSS)		3,223,905	(288,734)
OTHER INCOME (CHARGES) - Net			
Foreign currency exchange gains (losses) - net		(123,279)	100,577
Interest expense	8, 10	(112,096)	(228,729)
Interest income	3	3,119	3,174
Other income	7	602,991	-
		370,735	(124,978)
INCOME (LOSS) BEFORE TAX		3,594,640	(413,712)
TAX EXPENSE	13	369,873	224,112
NET INCOME (LOSS)		3,224,767	(637,824)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME (LOSS)		P 3,224,767	(P 637,824)

See Notes to Financial Statements.

CURATIO INC.
(A Wholly Owned Subsidiary of Torrent Pharmaceuticals Limited.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
CAPITAL STOCK	15		
Balance at beginning of year		P 108,811,100	P 108,810,500
Effect of restatement (see Note 2)		<u>-</u>	<u>600</u>
Balance at end of year		<u>108,811,100</u>	<u>108,811,100</u>
ADDITIONAL PAID-IN CAPITAL	15		
Balance at beginning of year		-	817
Effect of restatement (see Note 2)		<u>-</u>	<u>(817)</u>
Balance at end of year		<u>-</u>	<u>-</u>
DEFICIT			
Balance at beginning of year		(95,183,490)	(94,545,883)
Effect of restatement (see Note 2)		<u>-</u>	<u>217</u>
As restated		(95,183,490)	(94,545,666)
Net income (loss) for the year		<u>3,224,767</u>	<u>(637,824)</u>
Balance at end of year		<u>(91,958,723)</u>	<u>(95,183,490)</u>
TOTAL EQUITY		<u>P 16,852,377</u>	<u>P 13,627,610</u>

See Notes to Financial Statements.

CURATIO INC.
(A Wholly Owned Subsidiary of Torrent Pharmaceuticals Limited.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		P 3,594,640	(P 413,712)
Adjustments for:			
Depreciation and amortization	7, 8	639,749	656,901
Gain on sale of property and equipment	7	(602,991)	-
Unrealized foreign currency exchange loss (gain) - net		123,279	(100,577)
Interest expense	8, 10	112,096	228,729
Interest income	3	(3,119)	(3,174)
Operating loss before working capital changes		3,863,654	368,167
Increase in trade and other receivables		(1,297,058)	(4,731,782)
Increase in inventories		(1,604,400)	(1,560,051)
Decrease (increase) in prepayments and other current assets		104,187	(370,872)
Increase in refundable deposit		(9,832)	-
Increase in accounts and other payables		802,363	42,402
Increase (decrease) in due to parent company		(18,884)	4,755,686
Cash used in operations		1,840,030	(1,496,450)
Interest received		3,119	3,174
Cash paid for taxes		(59,997)	(1,110)
 Net Cash From (Used in) Operating Activities		 <u>1,783,152</u>	 (<u>1,494,386</u>)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		1,419,642	-
Acquisition of property and equipment	7	-	(<u>55,357</u>)
 Net Cash From (Used in) Investing Activities		 <u>1,419,642</u>	 (<u>591,964</u>)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability	8	(399,826)	(393,271)
Interest paid	10	-	(96,094)
Repayments of bank loans	10	-	(<u>1,002,261</u>)
 Net Cash Used in Financing Activities		 (<u>399,826</u>)	 (<u>1,491,626</u>)
 Effect of Foreign Exchange Rate Changes on Cash		 (<u>123,279</u>)	 <u>100,577</u>
 NET INCREASE (DECREASE) IN CASH		 2,679,689	 (2,940,792)
 CASH AT BEGINNING OF YEAR		 <u>3,034,398</u>	 <u>5,975,190</u>
 CASH AT END OF YEAR		 <u>P 5,714,087</u>	 <u>P 3,034,398</u>

See Notes to Financial Statements.

CURATIO INC.
(A Wholly Owned Subsidiary of Torrent Pharmaceuticals Limited.)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023
(Amounts in Philippines Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Curatio Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 24, 2015 to primarily conduct the business of buying, wholesaling or distributing drugs, medicines, and pharmaceutical products of all kinds and description. The registered office address of the Company, which is also its principal place of business, is located at Unit 2114 Cityland 10 Tower II, H.V. Dela Costa St., Salcedo Village Bel-air, Makati City.

In fiscal year 2023 and prior years, the Company was a wholly owned subsidiary of Curatio Healthcare (I) Pvt Ltd (Curatio). In fiscal year 2024, Curatio was acquired and then subsequently merged with Torrent Pharmaceuticals Limited (Torrent or the Parent company). Accordingly, as at such date, the Company became a wholly owned subsidiary of Torrent.

The parent company is a public limited company incorporated and domiciled in India. The address of its registered office is Torrent House, Off Ashram Road, Ahmedabad – 380 009, Gujarat, India. The Parent company is one of the leading Indian Pharmaceutical Company engaged in research, development, manufacturing and marketing of generic pharmaceutical formulations.

1.2 Status of Operation

In fiscal year 2024, the Board of Directors (BOD) decided to cease the operations of the Company. Due to this, management deemed that it is appropriate to change the Company's basis of accounting from going concern to liquidation basis starting in fiscal year 2024 (see Note 2.2). As of March 31, 2024, the BOD has not yet finalized the timelines for the such plans.

1.3 Approval of Financial Statements

The financial statements of the Company as of and for the fiscal year ended March 31, 2024 (including the comparative financial statements as of and for the fiscal year ended March 31, 2023) were authorized for issue by the Company's BOD on April 25, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of Preparation of Financial Statements

The financial statements of the Company as of and for the fiscal year ended March 31, 2024 and the comparative financial statements as of and for the fiscal year ended March 31, 2023 have been prepared and presented on the liquidation basis of accounting in accordance with Philippine Financial Reporting Standards (PFRS).

Under the liquidation basis of accounting, assets are reflected at their net realizable values and the liabilities are reflected at estimated settlement amounts. Management believes that the amounts to be realized from the disposition of the Company's remaining assets and the amounts to be used in the settlement of its liabilities will not differ materially from the amounts shown in the financial statements.

2.2 Restatement

In 2023, the Company has made rectification in its Capital Stock and Additional Paid-in Capital amounting to P600 and P817, respectively, and a corresponding adjustment to Retained Earnings for the net amount (see Note 15). The correction is reflected as a restatement of the beginning balance of Equity in the Company's 2023 statement of financial position and 2023 statement of changes in equity.

3. CASH

Cash as of March 31 includes the following components:

	<u>2024</u>	<u>2023</u>
Cash in banks	P 5,714,087	P 2,925,344
Cash on hand	<u>-</u>	<u>109,054</u>
	<u>P 5,714,087</u>	<u>P 3,034,398</u>

Cash in banks generally earn interest at rates based on daily bank deposit rate. Interest income recognized on bank deposits amounted to P3,119 and P3,174 in 2024 and 2023, respectively, and is presented as Interest income under Other Income (Charges) - Net section of the statements of comprehensive income.

4. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	<u>2024</u>	<u>2023</u>
Trade receivables	P 12,754,032	P 11,058,973
Others	<u>996,613</u>	<u>1,394,613</u>
	13,750,645	12,453,586
Allowance for impairment losses	<u>(1,363,553)</u>	<u>(1,363,553)</u>
	<u>P 12,387,092</u>	<u>P 11,090,033</u>

Trade receivables are usually due within 30 to 90 days after the date of delivery of goods and do not bear any interest.

Other receivables include receivables from employees.

All of the Company's trade and other receivables have been reviewed for impairment. Certain receivables amounting to P0.40 million and P0.71 million were found to be impaired as of March 31, 2024 and 2023, respectively, as determined by the management; hence, an impairment has been recognized and is presented under Operating Expenses in the statements of comprehensive income (see Note 17.2).

The movement in the allowance for bad debts as of March 31 is shown below.

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 1,363,553	P 649,557
Additional allowance for the year	<u>-</u>	<u>713,996</u>
	<u>P 1,363,553</u>	<u>P 1,363,553</u>

5. INVENTORIES

The Company's inventories are mainly composed of skin care products.

All inventories are stated at cost, which is lower than its net realizable value. The total inventories as of March 31, 2024 and 2023 amounted to P4.19 million and P2.58 million, respectively.

An analysis of the cost of inventories included in cost of sales for the fiscal years ended March 31, 2024 and 2023 is presented in Note 11.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of March 31 is as follows:

	<u>2024</u>	<u>2023</u>
Creditable withholding tax	P 224,943	P 321,930
Prepaid insurance	3,480	75,194
Input VAT	-	245,362
Other prepayments	<u>31,664</u>	<u>31,665</u>
	<u>P 260,087</u>	<u>P 674,151</u>

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property and equipment as at the beginning and end of the reporting periods are shown below.

	<u>Transportation Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
March 31, 2024			
Cost	P -	P 945,304	P 945,304
Accumulated depreciation	<u>-</u>	<u>(920,700)</u>	<u>(920,700)</u>
Net carrying amount	<u>P -</u>	<u>P 24,604</u>	<u>P 24,604</u>
March 31, 2023			
Cost	P 4,859,337	P 945,304	P 5,804,641
Accumulated depreciation	<u>(3,769,025)</u>	<u>(902,248)</u>	<u>(4,671,273)</u>
Net carrying amount	<u>P 1,090,312</u>	<u>P 43,056</u>	<u>P 1,133,368</u>
April 1, 2022			
Cost	P 4,859,337	P 889,946	P 5,749,283
Accumulated depreciation	<u>(3,472,061)</u>	<u>(889,946)</u>	<u>(4,362,007)</u>
Net carrying amount	<u>P 1,387,276</u>	<u>P -</u>	<u>P 1,387,276</u>

A reconciliation of the carrying amount of the property and equipment at the beginning and end of fiscal years 2024 and 2023 is shown below.

	<u>Transportation Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Balance at April 1, 2023, net of accumulated depreciation	P 1,090,312	P 43,056	P 1,133,368
Disposal	<u>(816,651)</u>	<u>-</u>	<u>(816,651)</u>
Depreciation charges for the year	<u>(273,661)</u>	<u>(18,452)</u>	<u>(292,113)</u>
Balance at March 31, 2024, net of accumulated depreciation	<u>P -</u>	<u>P 24,604</u>	<u>P 24,604</u>
Balance at April 1, 2022, net of accumulated depreciation	P 1,387,276	P -	P 1,387,276
Additions	<u>-</u>	<u>55,357</u>	<u>55,357</u>
Depreciation charges for the year	<u>(296,964)</u>	<u>(12,301)</u>	<u>(309,265)</u>
Balance at March 31, 2023, net of accumulated depreciation	<u>P 1,090,312</u>	<u>P 43,056</u>	<u>P 1,133,368</u>

The amount of depreciation is presented as part of Depreciation and amortization under Operating Expenses section of the statements of comprehensive income.

In fiscal year 2024, the Company sold its remaining transportation equipment with a carrying amount of P0.82 million for P1.42 million. The related gain on sale amounting to P0.60 million is reported under the Other Income (Charges) - net section of the 2023 statements of comprehensive income.

8. LEASES

In prior years, the Company entered into a non-cancellable operating lease agreement covering its office space. The lease term is for a period of five years and is renewable within 60 days before the end of the contract subject to mutual agreement by both parties. In fiscal year 2022, the parties agreed to renew the contract for another five years.

Among others, the lease contract provides for fixed monthly rentals with refundable deposit, advance rental and renewal option upon consent of the parties. Refundable deposit amounted to P119,150 and P109,318 for 2024 and 2023, respectively and is equivalent to three-month rental adjusted based on the monthly rate at the end of each fiscal year. The refundable deposit is presented as Refundable Deposit under Non-current Assets in the statements of financial position.

Management expects to continue using the lease for the Company's office space until all clearances are obtained from regulatory agencies prior to the closure of business.

With the exception of leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use asset and lease liability as a separate line item in the statements of financial position.

8.1 *Right-of-use Asset*

The gross carrying amounts and accumulated amortization of the Company's right-of-use asset at the beginning and end of fiscal years ended March 31, 2024 and 2023 are shown below.

	<u>2024</u>	<u>2023</u>
Cost	<u>P 2,486,541</u>	<u>P 2,486,541</u>
Accumulated amortization		
Balance at beginning of year	1,211,877	864,241
Amortization	<u>347,636</u>	<u>347,636</u>
Balance at end of year	<u>1,559,513</u>	<u>1,211,877</u>
Net carrying amount	<u>P 927,028</u>	<u>P 1,274,664</u>

The amortization expense relating to right-of-use asset is presented as part of Depreciation and Amortization under Operating Expenses section of the statements of comprehensive income.

8.2 *Lease Liability*

Total outstanding balance of lease liability as of March 31 are as follows:

	<u>2024</u>	<u>2023</u>
Current	P 343,917	P 287,730
Non-current	<u>745,821</u>	<u>1,089,738</u>
	<u>P 1,089,738</u>	<u>P 1,377,468</u>

The movements in the lease liability recognized in the statements of financial position are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 1,377,468	P 1,637,484
Repayment of lease liability	(399,826)	(393,271)
Accretion of interest	112,096	133,255
Balance at end of year	<u>P 1,089,738</u>	<u>P 1,377,468</u>

The lease liability is secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities is shown below.

	<u>2024</u>	<u>2023</u>
Within 1 year	P 432,598	P 399,826
1 to 2 years	439,808	432,598
2 to 3 years	396,548	439,808
3 to 4 years	-	396,548
	<u>P 1,268,954</u>	<u>P 1,668,780</u>

8.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize a lease liability for leases of low-value assets.

The expenses relating to low-value assets amounted to P0.06 million and P0.12 million in 2024 and 2023, respectively, and are presented as Rentals under Operating Expenses section of the statements of comprehensive income.

As at March 31, 2024 and 2023, the Company is committed to leases of low-value assets. Total commitment as at such dates is P0.10 million.

8.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including expenses relating to low-value assets (see Note 8.3), amounted to P0.46 million and P0.51 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities amounted to P0.11 million and P0.13 million in 2024 and 2023, respectively, and is presented as part of Interest expense under Other Income (Charges) - Net section of the statements of comprehensive income.

9. ACCOUNTS AND OTHER PAYABLES

The composition of this account is as follows:

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Accounts payable	11	P 981,336	P 629,255
Output VAT		777,484	231,361
Withholding tax payable		118,435	123,973
SSS premium payable		56,282	105,805
HDMF premium payable		51,150	53,750
PHIC premium payable		41,258	72,696
Others		<u>9,692</u>	<u>16,434</u>
		<u>P 2,035,637</u>	<u>P 1,233,274</u>

Accounts payable includes liabilities arising from the purchases of inventory, professional fees, employee reimbursements, interest and utilities. Other payables pertain to the other mandatory government-related employee benefits.

10. BANK LOANS

In previous years, the Company obtained loans from a local bank to finance the acquisition of the Company's transportation equipment.

In 2023, the Company fully repaid its bank loans. Also, in 2023, the Company pre-terminated the remaining outstanding loan, which was originally due on November 11, 2026. This resulted to a pre-termination loss amounting to P11,529, which is presented as part of Miscellaneous under Operating Expenses account in the 2023 statement of comprehensive income.

The total interest expense incurred on the said loans, prior to full repayment, amounted to P95,473 in 2023, and is presented as part of Interest expense under Other Income (Charges) - Net of the 2023 statement of comprehensive income. Accrued interest payable amounted to P0.01 million as of March 31, 2023, and is presented as part of Accounts payable under Accounts and Other Payables account in the 2023 statement of financial position (see Note 9).

11. COST OF SALES

The details of cost of sales for the fiscal years 2024 and 2023 are shown below.

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Inventories at beginning of year		P 2,581,318	P 1,021,267
Purchases during the year	14.1	9,769,003	10,098,793
Inventories at end of year	5	<u>(4,185,718)</u>	<u>(2,581,318)</u>
		<u>P 8,164,603</u>	<u>P 8,538,742</u>

12. EMPLOYEE BENEFITS

Expenses recognized for salaries and employee benefits pertain only to short-term employee benefits amounting to P10.94 million and P13.41 million in 2024 and 2023, respectively, which are presented as Salaries and employee benefits under Operating Expenses section of the statements of comprehensive income.

The Company has not recognized retirement benefit obligation for its employees who are entitled as of March 31, 2024 and 2023 since the management has assessed that the amount is not yet significant to the Company's financial statements.

13. INCOME TAXES

The components of tax expense reported in the statements of comprehensive income are as follows:

	<u>2024</u>	<u>2023</u>
Minimum corporate income tax at 1.8% and 1%	P 369,357	P 223,002
Final taxes at 20% and 15%	<u>516</u>	<u>1,110</u>
	<u>P 369,873</u>	<u>P 224,112</u>

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

	<u>2024</u>	<u>2023</u>
Tax on pretax income (loss) at 20%	P 718,928	(P 82,742)
Tax effects of:		
Reversal of previously unrecognized NOLCO	(855,904)	-
Unrecognized MCIT	369,357	-
Non-deductible expenses	80,740	4,305
Unrecognized deferred tax assets	<u>56,752</u>	<u>302,549</u>
	<u>P 369,873</u>	<u>P 224,112</u>

In 2024 and 2023, the Company is subject to the minimum corporate income tax (MCIT) which is computed at 1.8% and 1% of gross income net of allowable deductions, respectively, as defined under the tax regulations, or to RCIT, whichever is higher.

The Company incurred net operating loss carryover (NOLCO) in both reporting periods. Based on the financial and operating forecasts of the Company, management believes that it may not be able to generate taxable income in the near future, enough to utilize in full the benefits of NOLCO incurred in the current and prior years within the prescribed period. Accordingly, the Company has not recognized the corresponding deferred tax assets on NOLCO as of March 31, 2024 and 2023 amounting to P2.44 million.

The NOLCO incurred by the Company for the fiscal years 2022 and 2021 can be claimed as a deduction from future gross taxable income within five consecutive years or until 2025 and 2026, respectively, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayaniban to Recover as One Act (Bayaniban II)*.

The details of NOLCO, which can be applied as deduction from future taxable income within three to five years from the year the NOLCO was incurred, are shown below.

<u>Year Incurred</u>	<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Remaining Balance</u>	<u>Year of Expiry</u>
2022	P 1,288,846	P -	P -	P 1,288,846	2025
2021	10,917,364	-	-	10,917,364	2026
2020	<u>13,936,380</u>	<u>(495,752)</u>	<u>(13,476,628)</u>	<u>-</u>	
	<u>P 26,142,590</u>	<u>(P 495,752)</u>	<u>(P 13,476,628)</u>	<u>P 12,170,210</u>	

The components of unrecognized deferred tax assets of the Company relating to temporary differences as of March 31, 2024 and 2023 are as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
NOLCO	P 12,206,210	P 2,441,242	P 12,206,210	P 2,441,242
MCIT	894,753	894,753	525,396	525,396
Allowance for bad debts	713,996	142,799	713,996	142,799
Leases	162,710	32,542	102,804	20,561
Net unrealized foreign exchange loss (gain)	<u>123,279</u>	<u>24,656</u>	<u>(100,577)</u>	<u>(20,115)</u>
	<u>P 14,100,948</u>	<u>P 3,535,992</u>	<u>P 13,447,829</u>	<u>P 3,109,883</u>

The Company reported MCIT for both 2024 and 2023 amounting to P0.04 million and P0.02 million, respectively.

The details of the unrecognized MCIT that can be utilized against future RCIT are shown below.

<u>Taxable Years</u>	<u>Original Amount</u>	<u>Expired During the Current Year</u>	<u>Balance</u>	<u>Valid Until</u>
2024	P 369,357	P -	P 369,357	2027
2023	223,002	-	223,002	2026
2022	187,563	-	187,563	2025
2021	<u>114,831</u>	<u>(114,831)</u>	<u>-</u>	2024
	<u>P 894,753</u>	<u>(P 114,831)</u>	<u>P 779,922</u>	

In 2024 and 2023, the Company opted to claim itemized deductions in computing for its income tax due.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include the parent company and its key management personnel.

The summary of the Company's transactions with its related parties as of the fiscal years ended March 31, 2024 and 2023 are shown below.

	Notes	2024		2023	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Parent Company:					
Purchase of goods	14.1	P 10,342,732	P -	P 10,098,793	P -
Due from (to) parent company	14.1	18,884	(3,640,014)	4,755,686	(3,658,898)
Key Management Personnel –					
Compensation	14.2	-	-	8,177,460	-

14.1 Purchase of Goods

The Company purchases inventories from its parent company, which are then distributed for sale in the Philippines. Total purchases amounted to P10.34 million in 2024, and P10.10 million in 2023 (see Note 5). Purchases in fiscal year 2024 include inventories used for promotional activities amounting to P0.57 million, which was charged as part of Advertising and promotion expense under Operating Expenses account in the 2024 statement of comprehensive income. There was no outstanding payable as of March 31, 2024 and 2023 arising from such transactions.

14.2 Key Management Personnel

In 2023, the Company's key management personnel received a total short-term benefit compensation amounting to P8.18 million, which is presented as part of Salaries and employee benefits under Operating Expenses section of the 2023 statement of comprehensive income. There was no similar transaction for the year 2024.

15. EQUITY

15.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2024	As restated – (see Note 2.2) 2023	2024	As restated – (see Note 2.2) 2023
Authorized – P100 par value	<u>1,500,000</u>	1,500,000	<u>P 150,000,000</u>	P 150,000,000
Issued and subscribed:				
Balance at beginning of year	<u>1,088,111</u>	1,088,105	<u>108,811,100</u>	108,810,500
Subscribed during the year	<u>-</u>	6	<u>-</u>	600
Balance at end of year	<u><u>1,088,111</u></u>	<u>1,088,111</u>	<u><u>P 108,811,100</u></u>	<u>P 108,811,100</u>

As of March 31, 2024 and 2023, the Company has only one stockholder owning 100 or more shares of the Company's capital stock.

16. COMMITMENTS AND CONTINGENCIES

There are commitments and contingent liabilities that may arise in the normal course of the Company's operations that are not reflected in the financial statements. As of March 31, 2024 and 2023, the management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements. Losses, if any, will be recognized when these are actually incurred, determined and quantified.

17. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's risk management is coordinated with the parent company, in close coordination with the BOD.

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

17.1 Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas inventory purchases, which is primarily denominated in United States (U.S.) dollars. The Company also holds U.S. dollar-denominated cash in bank. To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

The foreign currency-denominated financial assets, translated in Philippine pesos at the closing rate amounted to P0.07 million and P0.05 million as of March 31, 2024 and 2023, respectively.

If the Philippine pesos had strengthened against the U.S. dollars by 14.33% and 17.79% in 2024 and 2023, respectively, with all other variables held constant, loss before tax would have been lower by P0.01 million in both years. Conversely, if the Philippine pesos had weakened by the same percentage, with all other variables held constant, loss before tax would have been higher by the same amounts.

The 14.33% and 17.79% movement in the value of the peso against the U.S. dollar was estimated based on the market volatility in exchange rates, using standard deviation, in the previous 12 months using a 99% level of confidence. The sensitivity analysis is based on the Company's foreign currency financial instruments held as at March 31, 2024 and 2023, respectively.

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

17.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting advances to officer and placing deposits.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position, as summarized below.

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Cash	3	P 5,714,087	P 3,034,398
Trade and other receivables - net	4	11,390,479	9,695,420
Refundable deposit	8	<u>119,150</u>	<u>109,318</u>
		<u>P 17,223,716</u>	<u>P 12,839,316</u>

None of the financial assets of the Company are considered past due as at the end of the reporting periods. Further, the Company has no financial assets which are secured by collateral or other credit enhancements, except with respect to its cash in bank.

(a) *Cash*

The credit risk for cash is considered negligible since the counterparty is a reputable bank with high quality external credit rating. Included in cash are cash in banks that are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.50 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Company assessed whether the remaining trade and other receivables are recoverable as of March 31, 2024 and 2023. In fiscal years 2024 and 2023, management deemed it necessary to recognize an allowance for impairment of certain receivables amounting to P1.76 million and P1.36 million, respectively (see Note 4).

Management considered a number of factors in its assessment such as the financial status of the counterparties and the historical collection pattern related to such outstanding receivables.

(c) *Refundable Deposit*

The Company is also not exposed to significant credit risk with respect to security deposit as the counterparty is engaged in a profitable industry and with high quality external credit ratings. Further, such deposit can be applied against future rentals towards the end of the lease term.

17.3 Liquidity Risk

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

The Company's financial liabilities (except lease liability – see Note 8.2) have gross contractual maturities amounting to P0.92 million and P0.63 million in 2024 and 2023, respectively.

18. CATEGORIES, OFFSETTING AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Carrying Amounts and Fair Value by Category

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

Notes	2024		2023		
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	
Financial Assets					
<i>At amortized cost:</i>					
Cash	3	P 5,714,087	P 5,714,087	P 3,034,398	P 3,034,398
Trade receivables – net	4	11,390,479	11,390,479	9,695,420	9,695,420
Refundable deposit		119,150	119,150	109,318	109,318
		P 17,223,716	P 17,223,716	P 12,839,136	P 12,839,136
Financial Liabilities					
<i>At amortized cost:</i>					
Accounts and other payables	9	P 981,336	P 981,336	P 629,255	P 629,255
Lease liability	8.2	1,089,738	1,089,738	1,377,468	1,377,468
		P 2,071,074	P 2,071,074	P 2,006,723	P 2,006,723

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 17.

18.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial instruments in 2023 and 2022 and does not have existing offsetting and settlement arrangements for its financial instruments. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument will have an option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders.

18.3 Fair Value Measurement and Disclosure

Except for cash, which is classified under Level 1 of the fair value hierarchy under PFRS 13, *Fair Value Measurement*, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data. Management considers that due to the short duration of financial assets and financial liabilities measured at amortized cost, or that the impact of discounting for those long-term financial instruments is not significant, as disclosed in Note 17, their carrying amounts as of March 31, 2024 and 2023 approximate their fair value.

The Company has no financial assets and financial liabilities measured at fair value as of March 31, 2024 and 2023.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 financial instruments in 2024 and 2023.

19. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding sections is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) *Output VAT*

In 2024, the Company declared output VAT totaling P3,484,875 for the sale of goods amounting to P29,040,626. The remaining balance of output VAT amounting to P777,484 as of March 31, 2024 is presented as part of Accounts and Other Payables account in the 2024 statement of financial position.

(b) *Input VAT*

The movements of input VAT in fiscal year 2024 are summarized below.

Balance at beginning of year	P	245,362
Purchase of services and goods		1,584,604
Applied against output VAT		(<u>1,829,966</u>)
Balance at end of year	P	<u><u>-</u></u>

(c) *Taxes on Importation*

In 2024, the total landed cost of the Company's imported inventory for use in business amounted to P10,598,994. This includes customs duties and tariff fees totalling to P1,271,879.

(d) *Excise Tax*

The Company did not have any transactions in fiscal year 2024, which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

The Company did not have any transactions in fiscal year 2024, which are subject to documentary stamp tax.

(f) *Taxes and Licenses*

The details of Taxes and Licenses for the fiscal year ended March 31, 2024 as presented in the 2024 statement of comprehensive income are broken down as follows:

Municipal licenses and permit	P 157,916
Community tax certificate	<u>10,500</u>
	<u>P 168,416</u>

(g) *Withholding Taxes*

Details of total withholding taxes for the fiscal year ended March 31, 2024 are shown below.

Compensation	P 2,254,997
Expanded	<u>10,293</u>
	<u>P 2,265,290</u>

The outstanding liabilities related to withholding taxes amounting to P118,435 is presented under Accounts and Other Payables account in the 2024 statement of financial position. There are no income payments subjected to final withholding taxes in fiscal year 2024.

(h) *Deficiency Tax Assessments and Tax Cases*

As at March 31, 2024, the Company does not have any final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.