

**SUN PHARMA PHILIPPINES, INC.**

**Unit 604, 6th Flr. Liberty Center Bldg.**

**104 H. V. dela Costa St. Makati City**

**TIN 008-176-290-000**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL  
INCOME TAX RETURN**

The Management of

**SUN PHARMA PHILIPPINES, INC.**

is responsible for all information and representations contained in the Annual Income Tax Return for the fiscal year ended **March 31, 2017**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the fiscal year ended **March 31, 2017** and the accompanying Annual Income Tax Return are in accordance with the books and records of

**SUN PHARMA PHILIPPINES, INC.**

complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No.8-2007 and other relevant issuances;

(c) **SUN PHARMA PHILIPPINES, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

**Chairman of the Board / President**

**Treasurer**

May 16, 2017

**SUN PHARMA PHILIPPINES, INC.**

**Unit 604, 6th Flr. Liberty Center Bldg.**

**104 H. V. dela Costa St. Makati City**

**TIN 008-176-290-000**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of

**SUN PHARMA PHILIPPINES, INC.**

is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the fiscal years ended **March 31, 2017 and 2016** in accordance with the prescribed financial reporting framework indicated therein, 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the shareholders.

**MR. RUSSEL A. FERRER**, the independent auditor appointed by the shareholders have audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the shareholders has expressed its opinion on the fairness of presentation upon completion of such audit.

**President/Chairman of the Board**

**Treasurer**

May 16, 2017

**RUSSEL A. FERRER**  
*Certified Public Accountant*  
*PRC License No. 0041587*  
*Rm 212 Cameo Square Bldg, Avelini St.*  
*BF Homes, Paranaque City*

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS TO ACCOMPANY INCOME  
TAX RETURN**

**The Board of Directors**  
**SUN PHARMA PHILIPPINES, INC.**  
Unit 604, 6th Flr. Liberty Center, Bldg.  
104 H.V. dela Costa St. Makati City

I have audited the financial statements of

**SUN PHARMA PHILIPPINES, INC.**

for the fiscal year ended *March 31, 2017* on which I have rendered my report dated *May 25, 2017*.

In compliance with Revenue Regulations V-20, I am stating the following:

1. That the taxes paid by the above taxpayer for the fiscal year ended **March 31, 2017** are shown in the schedule of taxes and licenses in the notes to financial statements;
2. That I am not related by consanguinity or affinity to the president, manager or principal stockholders of the Company;
3. That I have no financial interest to the Company or any family relationships with its management.

**RUSSEL A. FERRER**  
TIN 171-456-547  
PTR #0884419 issued Jan. 12, 2017 at Paranaque City  
BOA/PRC Registration #0490  
Valid until December 31, 2018

May 25, 2017

**RUSSEL A. FERRER**

*Certified Public Accountant*  
*PRC License No. 0041587*  
*Rm 212 Cameo Square Bldg, Avelini St.*  
*BF Homes, Paranaque City*

**SUPPLEMENTAL WRITTEN STATEMENT**

**The Board of Directors**  
**SUN PHARMA PHILIPPINES, INC.**  
**Unit 604, 6th Flr. Liberty Center, Bldg.**  
**104 H.V. dela Costa St. Makati City**

I have audited the financial statements of

**SUN PHARMA PHILIPPINES, INC.**

for the fiscal year ended **March 31, 2017** on which I have rendered the attached report.

In compliance with SRC Rule 68, I am stating that the said Company has a total of eight **(8)** stockholders owning 100 or more shares as of **March 31, 2017**.

**RUSSEL A. FERRER**  
TIN 171-156-547  
PTR #0884419 issued 1/12/17, Pque City  
BOA/PRC Registration #0490  
Valid until Dec. 31, 2018

May 25, 2017

**RUSSEL A. FERRER**  
*Certified Public Accountant*  
PRC License No. 0041587  
Rm 212 Cameo Square Bldg, Avelini St.  
BF Homes, Paranaque City

**INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
**SUN PHARMA PHILIPPINES, INC.**  
Unit 604, 6th Flr. Liberty Center, Bldg.  
104 H.V. dela Costa St. Makati City

***Opinion***

I have audited the accompanying financial statements of

**SUN PHARMA PHILIPPINES, INC.**

which comprise the statement of assets, liabilities and fund equity as at **March 31, 2017** and the statement of operations, statements of changes in fund equity and statement of cash flows for the fiscal year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of

**SUN PHARMA PHILIPPINES, INC.**

as of **March 31, 2017** and of its financial performance and its cash flows for the fiscal year then ended in accordance with Philippine Financial Reporting Standards.

***Basis for Opinion***

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of Financial Statement* section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium-sized Entities 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.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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.
- \* 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 attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

### ***Report on Other Legal and Regulatory Requirements***

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

**RUSSEL A. FERRER**

TIN 171-456-547

PTR #0884419 issued Jan. 12, 2017 at Pque City

BOA/PRC Registration #0490

Valid until December 31, 2018

**JOSEPHINE C. HERRERA**  
*Certified Public Accountant*  
*PRC License No. 72995*  
*48B Road 6C, UPS5, San Isidro, Paranaque City*

**CERTIFICATE ON THE COMPILATION SERVICES  
FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND  
NOTES TO THE FINANCIAL STATEMENTS**

May 25, 2017

**The Board of Directors**  
**SUN PHARMA PHILIPPINES, INC.**  
Unit 604, 6th Flr. Liberty Center, Bldg.  
104 H.V. dela Costa St. Makati City

I hereby certify that I am the Certified Public Accountant who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by

**SUN PHARMA PHILIPPINES, INC.**

for the fiscal year ended March 31, 2017.

In discharging this responsibility, I hereby declare that:

I am the "Contracted CPA" of

**SUN PHARMA PHILIPPINES, INC.**

and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of **RUSSEL A. FERRER** who is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare under penalties of perjury and violation of the revised Accountancy Law, that my statements are true and correct.

**JOSEPHINE C. HERRERA**  
TIN 107-985-690  
PTR #0885032 issued Jan. 13, 2017 at Paranaque City  
BOA/PRC Registration #1301  
Valid until December 31, 2018

**JOSEPHINE C. HERRERA**  
*Certified Public Accountant*  
*PRC License No. 72995*  
*48B Road 6C, UPS5, San Isidro, Paranaque City*

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

April 21, 2017

**The Board of Directors**  
**SUN PHARMA PHILIPPINES, INC.**  
**Unit 604, 6th Flr. Liberty Center, Bldg.**  
**104 H.V. dela Costa St. Makati City**

On the basis of the information provided by management, I have compiled, in accordance with the Philippine Standards on Auditing applicable to Compilation Engagement, the Statement of Financial Position of

**SUN PHARMA PHILIPPINES, INC.**

as of **March 31, 2017** and the Statement of Comprehensive Income, Changes in Equity, Cash Flows and Notes to the Financial Statements for the fiscal year then ended. Management is responsible for these financial statements. I have not audited or reviewed these financial statements and accordingly express no assurance therefrom.

Management is responsible for both the accuracy and the completeness of the information supplied to us and is responsible to users of the financial information compiled by us. These includes the maintenance of adequate accounting records and internal controls and the

The information was prepared in accordance with Philippine Financial Reporting Standards.

**JOSEPHINE C. HERRERA**  
TIN 107-985-690  
PTR #0885032 issued Jan. 13, 2017 at Paranaque City  
BOA/PRC Registration #1301  
Valid until December 31, 2018



**SUN PHARMA PHILIPPINES, INC.****STATEMENTS OF FINANCIAL POSITION***(Amounts in Philippine Pesos)*

		<b>MARCH 31</b>	
	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2,4	15,917,778	17,340,201
Accounts Receivable	2,6	37,131,385	33,946,375
Inventories	2,5	49,071,382	57,189,150
Other Current Assets	2,7	69,653,631	48,384,437
<b>Total Current Assets</b>		<b>171,774,176</b>	<b>156,860,163</b>
<b>Non-Current Assets</b>			
Deferred Tax Assets	2,9,11	19,891,562	715,990
Property & Equipment-net	2,8	9,800,272	14,210,646
<b>Total Non-Current Assets</b>		<b>29,691,834</b>	<b>14,926,636</b>
<b>TOTAL ASSETS</b>		<b>201,466,010</b>	<b>171,786,799</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable - Trade	2,10	109,358,387	42,337,209
Other Accounts Payable	2,10	54,145,077	42,699,698
<b>Total Current Liabilities</b>		<b>163,503,464</b>	<b>85,036,907</b>
<b>Long Term Liabilities</b>			
Advances from Shareholders	2,12	345,167,970	301,725,270
<b>Total Long Term Liabilities</b>		<b>345,167,970</b>	<b>301,725,270</b>
<b>EQUITY</b>			
Share Capital		8,653,400	8,653,400
Retained Earnings (Deficit)		(315,858,824)	(223,628,778)
<b>Total Equity</b>		<b>(307,205,424)</b>	<b>(214,975,378)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>201,466,010</b>	<b>171,786,799</b>

*(The accompanying notes are an integral part of these financial statements)*

**SUN PHARMA PHILIPPINES, INC.****STATEMENTS OF COMPREHENSIVE INCOME***(Amounts in Philippine Pesos)*

	<b>For The Fiscal Years Ended March 31</b>		
	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Revenue	2,3	182,801,766	124,278,717
Cost of Sales	2,3,13	124,814,816	88,722,320
<b>Gross Profit</b>		<b>57,986,950</b>	<b>35,556,398</b>
Expenses	2,3,13	118,059,419	126,756,349
<b>Profit (Loss) Before Tax</b>		<b>(60,072,469)</b>	<b>(91,199,951)</b>
Other Income (Expense)		21,098	243,117
Total		<b>(60,051,371)</b>	<b>(90,956,835)</b>
Interest Income		38,035	19,422
<b>Profit (Loss) Before Income Tax</b>		<b>(60,013,336)</b>	<b>(90,937,413)</b>
Deferred provision for income tax		18,015,411	-
<b>Net Profit (Loss) After Tax</b>		<b>(41,997,925)</b>	<b>(90,937,413)</b>
Other Comprehensive Income (Loss)			
Foreign Exchange Differences		(50,232,121)	(1,840,375)
<b>Net Profit (Loss) After Tax</b>		<b>(92,230,046)</b>	<b>(92,777,787)</b>

*(The accompanying notes are an integral part of these financial statements)*

**SUN PHARMA PHILIPPINES, INC.****STATEMENT OF CASH FLOWS***(Amounts in Philippine Pesos)***For The Fiscal Years Ended March 31**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before tax	(41,997,925)	(90,937,413)
Adjustments to reconcile net income to net cash generated from/(used in) operations:		
Depreciation and amortization	5,199,744	5,037,770
Gain (Loss) on foreign exchange transactions	(50,232,120)	(1,840,375)
Interest Income	(38,035)	(19,422)
Operating income before working capital changes	(87,068,336)	(87,759,440)
Changes in assets and liabilities		
(Increase)/decrease in assets:		
Current Assets	(16,336,437)	37,248,843
Non-current assets	(19,175,572)	-
Increase/(decrease) in liabilities:		
Current Liabilities	78,466,557	(19,637,163)
Interest received	38,035	19,422
Net cash from operating activities	(44,075,753)	(70,128,337)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Retirement of assets, net	-	367,125
(Additions) to properties & equipments	(789,369)	(2,473,496)
Net cash used in investing activities	(789,369)	(2,106,371)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from Shareholders	43,442,700	84,120,930
Net cash from financing activities	43,442,700	84,120,930
<b>NET INCREASE(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(1,422,422)</b>	<b>11,886,222</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>17,340,201</b>	<b>5,453,979</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>15,917,778</b>	<b>17,340,201</b>

*(The accompanying notes are an integral part of these financial statements)*

**SUN PHARMA PHILIPPINES, INC.**  
**STATEMENT OF CHANGES IN EQUITY**  
**For The Fiscal Years Ended March 31, 2017 & 2016**  
*(Amounts in Philippine Pesos)*

	SHARE CAPITAL	RESERVE	RETAINED EARNINGS (DEFICIT)	TOTAL
Authorized 100,000 shares @ P100 par value; Subscribed and paid 86,534 shares				
<b>Balances at Mar. 31, 2015</b>	8,653,400	-	(130,850,991)	(122,197,591)
Net Income (loss) during the period			(90,937,413)	(90,937,413)
Other comprehensive income (loss)		(1,840,374)		(1,840,374)
<b>Balances at Mar. 31, 2016</b>	8,653,400	(1,840,374)	(221,788,404)	(214,975,378)
<b>Comprehensive Income (loss)</b>				
Net Income (Loss)			(41,997,925)	(41,997,925)
Other comprehensive income (loss)		(50,232,121)		(50,232,121)
<b>Balances at Mar. 31, 2017</b>	8,653,400	(52,072,495)	(263,786,329)	(307,205,424)

*(The accompanying notes are an integral part of these financial statements)*

**SUN PHARMA PHILIPPINES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEARS ENDED**  
**MARCH 31, 2017 AND 2016**  
(All amounts in Philippine Pesos unless otherwise stated)

**Note 1 – Corporate Information**

**SUN PHARMA PHILIPPINES, INC.** (referred to as the "Company") a stock corporation was registered with the Securities and Exchange Commission (SEC) on December 8, 2011 under registration number CS201121379.

The primary purpose of the company is to purchase, sell, deal, trade, import, export, distribute and market pharmaceutical, cosmetics and chemical products; and generally to perform any and all acts connected with the business aforementioned or arising therefrom/or incidental thereto as maybe allowed by existing Philippine law, rules and regulations.

The Company's statement of financial position shows a deficit of P315,858,824 for 2017 and P223,628,778 for 2016. To address this concern, the Company's shareholders and related parties agreed and were committed to provide financial support in its operations and working capital requirements.

The management believes that such continuing financial support is sufficient until such time the Company recovers. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

The company's registered business office is located at Unit 604, 6<sup>th</sup> Floor Liberty Center Building, 104 H.V. dela Costa Street, Salcedo Village, Makati City.

**Approval and authorization for issue of financial statements:**

The accompanying financial statements were approved and authorized for issue by the Board of Directors on May 16, 2017.

**Note 2. Summary of Significant Accounting Policies**

**2.1 Basis of Preparation**

The Company's financial statements have been prepared on a historical cost basis in accordance with the Financial Reporting Standards applicable to Companies in the Philippines.

**2.1.1 Functional Currency**

The financial statements are presented in Philippine Peso which is the Company's functional and presentation currency, and all values are rounded to the nearest pesos except when otherwise indicated.

**2.2 Statement of Compliance**

The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Standards

### 2.3 Accounting Policies Adopted

The following accounting standards that have been published and issued by the International Accounting Standards Board (IASB) and adopted by the FRSC which became effective for accounting periods beginning on or after January 1, 2009 were adopted by the Company:

Section 3	-	Financial Statement Presentations
Section 4	-	Statement of Financial Position
Section 5	-	Statement of Comprehensive Income and Income Statement
Section 6	-	Statement of Changes in Equity and Statement of Income and Retained Earnings
Section 7	-	Statement of Cash Flows
Section 8	-	Notes to Financial Statements
Section 10	-	Accounting Policies, Estimates and Errors
Section 11	-	Basic Financial Instruments
Section 17	-	Property and Equipment
Section 20	-	Leases
Section 21	-	Provisions and Contingencies
Section 22	-	Liabilities and Equity
Section 23	-	Revenue
Section 27	-	Impairment of Assets
Section 28	-	Employee Benefits
Section 29	-	Income Tax
Section 32	-	Events After the End of the Reporting Period
Section 33	-	Related Party Disclosures

The effects of these new standard, amendments and interpretations on the Company's accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

**Section 3**, "Financial Statement Presentation," provides a framework within which an entity assess how to present fairly the effects of transactions and other events. It requires that an entity shall make an explicit and unreserved statement of compliance with IFRS for SMEs in the notes, complete sets of financial statements must be presented at least annually and at least one year comparative statements and note data, and items should be consistently presented and classified from one period to the next.

**Section 4**, "Statement of Financial Position", provides specific requirements on the presentation, classification and related disclosures of entity's assets, liabilities and equity as of a specific date.

**Section 5**, "Statement of Comprehensive Income and Income Statement", provides specific requirements on the presentation, classification and related disclosures of entity's total comprehensive income, its financial performance for the period in one or two financial statements.

**Section 6**, "Statement of Changes in Equity and Statement of Income and Retained Earnings", sets out requirements for presenting the changes in an entity's equity for a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings the cost of inventories is no longer acceptable.

**Section 7**, “Statement of Cash Flows”, requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

**Section 8**, “Notes to Financial Statements”, sets out the principles underlying information that is to be presented in the notes to the financial statements and how to present it. Notes contain information in addition to that presented in the statement of financial position, statement of comprehensive income, income statement (if presented), combined statement of income and retained earnings (if presented), statement of changes in equity, and statement of cash flows. Notes provide narrative descriptions or segregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this IFRS requires disclosures that are normally presented in the notes.

**Section 10**, “Accounting Policies, Estimates and Errors,” eliminates the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. The section defines material omissions and misstatements and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

**Section 11**, “Basic Financial Instruments”, applies to basic financial instruments and is relevant to all entities. An entity shall recognize a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument. When a financial asset or financial liability is recognized initially, an entity shall measure it at the transaction price unless the arrangement constitutes, in effect, a financing transaction.

**Section 17**, “Property and Equipment,” prescribes the accounting treatment and related disclosures for property and equipment, investment property, and non-current assets held for sale whose fair value cannot be measured reliably without undue cost and effort. It provides guidance on initial and subsequent recognition as well as measurement after recognition. It requires depreciation for each significant part of an item of property, plant and equipment. The standard also provides guidance on the determination of the carrying amount of the assets, the residual value, depreciation period and derecognition principles to be observed.

**Section 20**, “Leases”, prescribes that lease payments under operating leases shall be recognized as income/expense on a straight-line basis unless another basis is more representative of the timing of the benefits obtained by the user of the asset or the payments are structured to increase in line with expected general inflation.

**Section 21**, “Provisions and Contingencies”, ensures that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to financial statements to enable users to understand their nature, timing and amount.

**Section 22**, “Liabilities and Equity”, establishes principles for classifying financial instruments as either liabilities or equity and addresses accounting for equity instruments issued to individuals or other parties acting in their capacity as investors in equity instruments (i.e. in their capacity as owners).

**Section 23**, “Revenue”, provides additional guidelines as to the timely recognition of revenue, which is measured at the fair value of the consideration received or receivable.

**Section 27**, “Impairment of Assets”, prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described to be impaired and the standard requires the entity to recognize an impairment loss. The section also specifies when an entity should reverse an impairment loss previously recognized.

**Section 28**, “Employee Benefits,” applies to all employee benefits offered by an employer to employees and their dependents and beneficiaries. This section applies to employee benefits under: (i) formal plans and agreements between an enterprise and its employees, (ii) national, local, industry or multi-employer plans; and informal practices giving rise to a constructive obligation. This section also identifies the following categories of employee benefits such as short-term employee benefits, postemployment benefits, other long-term employee benefits and termination benefits.

**Section 29**, “Income tax,” covers accounting for income tax. It requires an entity to recognize the current and future tax consequences of transactions and other events that have been recognized in the financial statements.

**Section 32**, “Events After the End of the Reporting Period,” defines events after the end of the reporting period and sets out principles for recognizing, measuring and disclosing such events.

**Section 33**, “Related Party Disclosures,” provides additional guidance and clarity in the scope, definitions and the disclosures for related parties. It requires disclosure of the compensation of key management personnel.

The adoption of the above standards, amendments and interpretations, upon which the Company has opted to adopt, did not have any significant effect on the Company’s financial statements. These, however, require additional disclosures on the Company’s financial statements.

#### Financial Assets

Financial assets includes cash, trade and other receivables

#### Cash

Cash are stated at face value. Cash also includes cash in banks and petty cash fund which is being utilized to fund expenses on a day to day transaction of the company and cash in banks which consist of current accounts that earn interest at prevailing bank deposit rates and these are deposits held at call with banks.

#### Cash Equivalents

Cash equivalents are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of one month and that are subject to an insignificant risk of change in value.



### Accounts Receivables

Trade receivables, which are based on normal credit terms do not bear interest, are recognized and carried at original invoice amounts. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of loss is measured as the different between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

### Other Receivables

Other receivables are stated at amortized cost less provision for impairment, if deemed applicable. Impairment is considered when there is objective evidence that the Company will not be able to collect the debts.

### Rental Deposit

Rental deposit is measured at its cost or nominal value, which is included under non-current assets.

### Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations of such period.

Depreciation are calculated on a straight-line basis over the useful lives of the assets.

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, if there is an indication that there has been indication of significant change since the last annual reporting date.

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 operations in the year the item is derecognized.

#### Refundable Deposits

These represent deposits to utility service providers used in operations and rental deposit to lessor which are refundable upon expiration of the contract.

#### Asset Impairment

At each reporting date, investment property, property, plant and equipment, intangible assets, and investment in associate are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying account. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to revised estimate of its recoverable, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (a group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### Financial Liabilities

Financial liabilities include trade and other payables.

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

#### Trade and Other payables

Trade and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are not interest bearing and are stated at their nominal value.

Trade and other payables are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

#### Other current liabilities

It represents mandatory obligations and dues that are required for settlement with the some government regulatory agencies for the normal conduct of company's operation based on enacted laws and regulations.

Except for the mandatory obligations due to government regulatory agencies, other current liabilities are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

### Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Derecognition of Financial Assets and Financial Liabilities

#### Financial assets

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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 the statement of income.

#### Financial Assets

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

### Impairment of Non-financial Assets

The Company assesses as at reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use or its net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value

in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Income Tax Payable

Taxable profit differs from net profit as reported in the statements of operations, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax, if any, is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities, if any, are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused net operating loss carryover (NOLCO), if any, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

The carrying amount of deferred tax assets, if any, is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets, if any, are reassessed at each balance date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax asset and liabilities, if any, are measured at the tax rates expected in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

### Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

### Retirement benefits

The Company does not maintain a defined contribution retirement plan.

### Share Capital

Share capital are classified as equity and is determined using the nominal value of shares that have been issued and fully paid.

### Cumulative Earnings

Cumulative earnings include all current results as disclosed in the statement of income.

### Dividend distribution

Profit or loss is distributed pro rata depending on the amount of share capital of each shareholder.

### Revenue and cost recognition

Revenue comprises the fair value of the consideration received for the services rendered in the ordinary course of the Company's activities.

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

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

- i) The Company recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the service have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
- ii) Interest income, if any, on bank deposits, which is presented net of final tax, is recognized on a time-proportion basis using the effective interest method. Such is included in the finance income account in the statements of income.
- iii) Other income is recognized when received.

On the other hand, cost, administrative expenses and other expenses are recognized in the statement of income when paid. Finance costs, if there's any, are reported when paid.

### Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Retirement benefits

The Company does not maintain any Retirement Plan. Actual retirement, death and separation benefits will be paid following the retirement law mandated by R.A 7641 of 1993.

#### Related Parties

Parties are considered 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. Individuals, associated or companies that directly or indirectly control or are controlled by or are under common control with the company are also considered related parties.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when inflows economic benefit is probable.

#### Events After the Reporting Period

Post year-end events that provide additional information about the group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### **Note 3. Significant Accounting Judgment and Estimates**

#### Judgments

The preparation of the Company's financial statements in conformity with PFRS for SMEs requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, 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.

#### Estimates

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

- Estimated Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the property and equipment are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. In addition, the estimation of the useful lives of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the 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 the property and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation and amortization is computed on a straight-line method over the estimated useful lives of the assets as follows:

	<u>Life in Years</u>
Motor cars	5
Leasehold Improvements	5
Furniture & Fixtures	10
Office Equipment	2/5/15
Software	1

The foregoing estimated useful lives and depreciation/amortization method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

- Impairment of Non-financial Assets

The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

- Revenue recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are

based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Note 4. Cash and Cash equivalents**

Cash as of March 31 consist of:

	2017	2016
Cash in bank	15,917,778	17,340,201

#### **Note 5. Inventories**

	2017	2016
Inventories	50,408,560	57,189,150
Less: Allowance for Expiry & Breakage	1,337,178	-
<b>Inventories, net</b>	<b>49,071,382</b>	<b>57,189,150</b>

#### **Note 6. Accounts Receivable**

	2017	2016
Accounts receivable	38,070,244	33,946,375
Less: Allowance for Doubtful Accounts	938,859	-
<b>Accounts Receivable, net</b>	<b>37,131,385</b>	<b>33,946,375</b>

The carrying amount of trade receivables approximate their values as of March 31, 2017 which are all denominated in Philippine Pesos.

#### **Note 7. Other Current Assets**

Other current assets as of March 31 consist of:

	2017	2016
Advances/Prepayments	67,910,223	47,857,092
Creditable Withholding tax	1,743,408	527,345
<b>Total</b>	<b>69,653,631</b>	<b>48,384,437</b>



**Note 8. Property and equipment**

Property and equipment consist of:

**As of March 31, 2017**

	Motor Cars	Office Equipment	Software	Furniture & Fixtures	TOTAL
<b>Beg. Balance</b>	22,095,334	2,162,292	40,788	2,289,340	26,587,754
Additions	480,896	308,473		-	789,369
Disposals					
<b>Total</b>	<b>22,576,230</b>	<b>2,470,765</b>	<b>40,788</b>	<b>2,289,340</b>	<b>27,377,123</b>
<b>Accumulated Depreciation</b>					
Beg. Balance	10,630,149	813,038	40,788	893,132	12,377,108
Additions	4,483,186	318,356	-	398,201	5,199,744
Disposals	-	-	-	-	-
<b>Total Accum. Deprn.</b>	<b>15,113,335</b>	<b>1,131,394</b>	<b>40,788</b>	<b>1,291,333</b>	<b>17,576,851</b>
<b>Net Carrying Value</b>	<b>7,462,895</b>	<b>1,339,371</b>	<b>-</b>	<b>998,006</b>	<b>9,800,272</b>

**As of March 31, 2016**

	Motor Cars	Office Equipment	Software	Furniture & Fixtures	TOTAL
<b>Beg. Balance</b>	20,571,763	2,039,613	40,788	2,192,093	24,844,257
Additions	2,253,571	122,679		97,247	2,473,497
Disposals	(730,000)				(730,000)
<b>Total</b>	<b>22,095,334</b>	<b>2,162,292</b>	<b>40,788</b>	<b>2,289,340</b>	<b>26,587,754</b>
<b>Accumulated Depreciation</b>					
Beg. Balance	6,619,826	541,805	40,788	499,793	7,702,213
Additions	4,373,198	271,233	-	393,339	5,037,770
Disposals	(362,875)	-	-	-	(362,875)
<b>Total Accum. Deprn.</b>	<b>10,630,149</b>	<b>813,038</b>	<b>40,788</b>	<b>893,132</b>	<b>12,377,108</b>
<b>Net Carrying Value</b>	<b>11,465,185</b>	<b>1,349,254</b>	<b>-</b>	<b>1,396,207</b>	<b>14,210,646</b>

The Carrying value of the property and equipment approximate their fair values.

### Note 9. Deferred Tax Assets

This account consists of the following as of March 31:

	2017	2016
Deferred Charges-MCIT	1,876,151	715,990
NOLCO (Net Operating Loss Carry Over)	18,015,411	-
<b>Total</b>	<b>19,891,562</b>	<b>715,990</b>

### Note 10. Trade and Other Payables

Trade and other accounts payables as of March 31 consist of:

	2017	2016
Accounts payable-trade	109,358,387	42,337,209
Accounts payable-others	52,799,230	40,226,041
SSS/PHIC/EWT/Withholding tax payable	1,345,847	2,473,657
<b>Total</b>	<b>163,503,464</b>	<b>85,036,907</b>

Accounts payable are non-interest bearing and are currently demandable. These are liabilities to pay for goods and services that have been received, measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

Other liabilities represent statutory obligations that are required for settlement with some government regulatory agencies for the normal conduct of company's operation based on enacted laws and regulations.

### Note 11. Income taxes

On May 24, 2005, Republic Act 9337 (the Act), otherwise known as "Expanded Value Added Tax (EVAT) of 2005" amending certain sections of the National Internal Revenue Code (NIRC) of 1997, was passed into law and became effective on November 1, 2005. The following are the more salient provisions of the new Act that are relevant to the Company:

- Imposition of a 70% cap on the input tax credit which a tax payer could claim against output tax in the event that total input tax credits are higher than the output tax. In such case, the taxpayer is required to remit a minimum 30% of the total output tax due;
- Input tax on capital goods shall be claimed on a staggered basis over 60 months or the useful life of the related assets, whichever is shorter; and
- Increase of the VAT rate from 10% to 12% upon declaration of the President of the Republic of the Philippines. This rate increase happened effective February 1, 2006.

On November 21, 2006, under Republic Act 9361, the NIRC was amended anew with the deletion of the provision imposing the 70% cap on input tax that may be credited in every taxable quarter.

On October 10, 2007 Revenue Regulation (RR) No. 12-2007 became effective and amended RR No. 0-98 by imposing a quarterly payment of MCIT starting the third calendar quarter of 2007. The RR also expanded the operational definition of gross income for purposes of

calculating the quarterly MCIT to include all items of income enumerated under Sec. 32 (A) of the 1997 Tax Code except passive income and income exempt from income tax.

Deferred income tax assets and liabilities are determined using income tax rates in the period the temporary differences are expected to be recovered or settled.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax asset against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

The reconciliation and calculation of Minimum Corporate Income Tax (MCIT) is presented as follows:

	2017	2016
<b>Gross Income</b>	<b>182,801,766</b>	124,278,717
<b>Add back: Disallowed expenses, prior period deficiency taxes classified as Direct Costs</b>		
<b>Gross Income subject to MCIT</b>	<b>58,008,048</b>	35,779,514
<b>Net income (loss) for the period</b>	<b>(92,230,045)</b>	(92,777,787)
Income tax effects of:		-
Interest income already subjected to income tax	38,035	19,422
Prior period tax deficiency disallowed as tax deductible expense recorded under Administrative expenses		-
<b>Net income(loss) subject to regular Income tax rate</b>	<b>(60,051,371)</b>	(90,956,835)
Income tax computed at Normal tax rate 30% for the year	-	-
Income tax payable <b>MCIT, 2% of Gross Income</b>	<b>1,160,161</b>	715,990
<b>Regular income tax rate</b>	-	-
<b>Income tax due whichever is higher</b>	<b>1,160,161</b>	715,990
Less: Deferred tax - MCIT	-	-
Prior year's excess credits and creditable w/tax	2,903,569	1,491,458
Payments - 1st, 2nd, and 3rd qtr.	-	-
<b>Income tax due (excess credits)</b>	<b>(1,743,408)</b>	(775,468)

The company is subject to Minimum Corporate Income Tax (MCIT) as presented. Any deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilized.

#### Note 12. Related Party Transaction

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.

This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

Outstanding balances from related party transactions are shown below.

	2017	2016
Advances from shareholders	345,167,970	301,725,270

Advances from shareholders are non-interest bearing advances.

### Note 13. Breakdown of cost and expenses

	2017	2016
<b>Cost of services</b>		
<b>Total cost of sales</b>	<b>124,814,816</b>	<b>88,722,320</b>
<b>Operating expenses</b>		
Salaries & wages & bonuses	31,246,056	27,681,731
Social contributions	842,241	959,467
Professional Fees	1,780,392	1,550,495
Employees' benefits	437,833	1,719,412
Rent expense	2,105,284	2,174,390
Selling & Distribution Expenses	56,757,380	71,408,321
Depreciation / Amortization	5,199,744	5,037,770
Bad Debts	938,859	887,239
Transportation	7,832,853	6,686,904
Taxes and licenses	1,302,980	1,035,507
Office supplies	77,168	43,016
Electricity & Water	385,927	404,753
Repairs & maintenance	1,591,009	1,284,710
Communications	1,666,013	1,693,004
Miscellaneous/Insurance	5,895,680	4,189,630
<b>Total operating expenses</b>	<b>118,059,419</b>	<b>126,756,349</b>
<b>Total Cost of sales and operating expenses</b>	<b>242,874,235</b>	<b>215,478,669</b>

### Note 14. Reclassifications

Reclassification of accounts were made for prior year's balances to conform to current year financial statements.

**Note 15. Supplementary Information required by the Bureau of Internal Revenue's Revenue Regulations (RR) No. 15-2010**

On November 15, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and /or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year.

The following is the required information under RR No. 15-2010 for the fiscal year ended March 31, 2017.

**1. Other Taxes and licenses and fees**

BIR Annual Registration Fee	500
Mayor's Permit/business license/other taxes	1,302,480
<b>Total</b>	<b>1,302,980</b>

**2. Withholding Taxes for 2016**

Withholding taxes on compensation & benefits	6,076,193
Expanded withholding taxes	557,858
<b>Total</b>	<b>6,634,051</b>

**3. Tax Cases**

As of March 31, 2017, the Company has no pending cases with the Bureau of Internal Revenue.