



CARLOS DRUGS-LUCENA, INC.

Financial Statements
December 31, 2020 and 2019



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CARLOS DRUGS-LUCENA, INC.

Enriquez corner Tagarao Streets, Brgy. 4, Lucena City

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

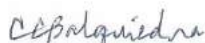
The Management of **CARLOS DRUGS-LUCENA, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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.

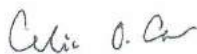
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Acyatan & Co., CPAs, the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


CORAZON C. BALQUIEDRA
Chairman of the Board


BARNARD C. BALQUIEDRA
President


CELIA O. CARLOS
Treasurer

Signed this 12th day of April, 2021.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
CARLOS DRUGS-LUCENA, INC.
Enriquez corner Tagarao Streets, Brgy. 4, Lucena City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **CARLOS DRUGS-LUCENA, INC.** ("the Company"), which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the Statements of Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, and Notes to Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CARLOS DRUGS-LUCENA, INC.** as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis of Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines necessary to enable the preparation of financial statement 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

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

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

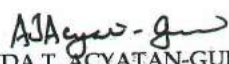
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

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

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2020 as disclosed in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ACYATAN & CO., CPAs
BOA/PRC Accreditation No. 0141
Issued on 12-11-2019 Expiring on 07-10-2023
SEC Accreditation No. 0315-FR-1 (Group C)
Issued on 09-26-2018 Expiring on 09-25-2021


ARMINDA T. ACYATAN-GUERRERO
Managing Partner
CPA Certificate No. 085531
SEC Accreditation No. 1515-AR-1 (Group C)
Issued on 09-26-2018 Expiring on 09-25-2021
TIN 139-584-275
BIR A.N. 07-100170-001-2020
Issued on 09-14-2020 Expiring on 09-13-2023
PTR No. 4578536
Issued on 01-04-2021 at Mandaluyong City

April 12, 2021
Mandaluyong City-Philippines

OUR SEAL

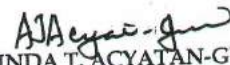
INDEPENDENT AUDITORS' REPORT
(In compliance with SRC Rule 68)

The Board of Directors and Stockholders
CARLOS DRUGS-LUCENA, INC.
Enriquez corner Tagarao Streets, Brgy. 4, Lucena City

We have audited the accompanying financial statements of **CARLOS DRUGS-LUCENA, INC.** (the "Company") for the calendar year ended December 31, 2020, on which we have rendered the attached report dated April 12, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has eighteen (18) stockholders owning one hundred (100) or more shares each of the Company's capital stock as of December 31, 2020, as disclosed in Note 12 to the financial statements.

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April 12, 2021
Mandaluyong City-Philippines

OUR SEAL

CARLOS DRUGS-LUCENA, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and 2019

(In Philippine Peso)	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash	5	1,741,537	2,479,492
Trade and Other Receivables, Net	6	2,059,885	2,806,385
Inventories	7	337,425,711	388,812,610
Other Current Assets	8	-	644,846
		341,227,133	394,743,332
NONCURRENT ASSETS			
Property and Equipment, Net	9	13,002,170	11,918,637
Right of Use Asset	19	8,746,957	17,493,913
Deferred Tax Asset	20	899,587	222,670
		22,648,714	29,635,220
TOTAL ASSETS		363,875,847	424,378,552
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and Other Payables	10	306,787,970	361,742,385
Other Current Liabilities	11	907,103	-
Lease Liabilities - Current	19	1,254,946	616,681
Income Tax Payable	20	246,080	-
		309,196,099	362,359,066
NONCURRENT LIABILITY			
Lease Liabilities - Noncurrent	19	8,033,671	17,619,464
Retirement Benefit Liability	17	382,438	-
		8,416,109	17,619,464
TOTAL LIABILITIES		317,612,208	379,978,530
EQUITY			
	12		
Share Capital		28,507,400	28,507,400
Retained Earnings		17,756,239	15,892,622
TOTAL EQUITY		46,263,639	44,400,022
TOTAL LIABILITIES AND EQUITY		363,875,847	424,378,552

(See Accompanying Notes to Financial Statements)

CARLOS DRUGS-LUCENA, INC.

STATEMENTS OF INCOME
For the Years Ended December 31, 2020 and 2019

<i>(In Philippine Peso)</i>	<i>Notes</i>	2020	2019
SALES	13	584,391,148	597,043,773
COST OF SALES	14	(510,637,170)	(548,565,871)
GROSS PROFIT		73,753,978	48,477,902
FINANCE INCOME	5	1,238	1,715
GROSS INCOME		73,755,216	48,479,617
OPERATING EXPENSES	15	(70,447,096)	(44,938,200)
OTHER COSTS	16	(646,340)	(918,430)
INCOME BEFORE TAX		2,661,780	2,622,987
INCOME TAX EXPENSE	20	(798,163)	(847,985)
NET INCOME		1,863,617	1,775,002

The Company has no other comprehensive income for the period ended December 31, 2020 and 2019.

(See Accompanying Notes to Financial Statements)

CARLOS DRUGS-LUCENA, INC.

STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019

(In Philippine Peso)	Notes	Share Capital	Retained Earnings	Total
Balance, December 31, 2018		28,507,400	14,117,620	42,625,020
Net Income			1,775,002	1,775,002
Balance, December 31, 2019	12	28,507,400	15,892,622	44,400,022
Net Income			1,863,617	1,863,617
Balance, December 31, 2020	12	28,507,400	17,756,239	46,263,639

(See Accompanying Notes to Financial Statements)

CARLOS DRUGS-LUCENA, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

(In Philippine Peso)	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income Before Tax			
Adjustments for:		2,661,780	2,622,987
Depreciation Expense	9	9,061,396	9,002,846
Interest Income Earned	5	(1,238)	(1,715)
Interest Expense	16	630,190	918,430
Operating Income Before Working Capital Changes		12,352,128	12,542,548
(Increase) Decrease in Current Assets:			
Trade and Other Receivables	6	746,500	(2,806,385)
Inventories	7	51,386,899	41,577,282
Other Current Assets	8	175,514	(175,512)
Increase (Decrease) in Current Liabilities:			
Trade and Other Payables	10	(54,954,415)	(38,690,870)
Other Current Liabilities	11	907,103	-
Retirement Benefit Liability	17	382,438	-
Cash Provided by Operations		10,996,167	12,447,063
Interest Income Received	5	1,238	1,715
Interest Paid	16	8,075	-
Income Tax Paid	20	(759,667)	(1,539,988)
Net Cash Provided by Operating Activities		10,245,813	10,908,790
CASH FLOWS TO INVESTING ACTIVITIES			
Acquisition of Property and Equipment	9	(1,397,974)	-
CASH FLOWS TO FINANCING ACTIVITIES			
Payment of Lease Liabilities	19	(9,585,793)	(8,923,154)
NET (DECREASE) INCREASE IN CASH		(737,955)	1,985,636
CASH, JANUARY 1		2,479,492	493,856
CASH, DECEMBER 31	5	1,741,537	2,479,492

(See Accompanying Notes to Financial Statements)

CARLOS DRUGS-LUCENA, INC.
Enriquez corner M.L. Tagarao St., Brgy. IV, Lucena City

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - GENERAL INFORMATION

CARLOS DRUGS- LUCENA, INC. (the "Company") is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on July 10, 2002 under SEC Registration No. A200209264. The primary activity of the Company is to engage in wholesale and retail distribution of pharmaceutical, medical, and hospital supplies and equipment, and to own and operate a drug store/pharmacy to be able to sell various pharmaceutical products including cosmetic products and toilet articles.

The address of its registered office and principal place of business is at Enriquez corner M.L. Tagarao St., Brgy. IV, Lucena City.

Approval of Audited Financial Statements

On April 12, 2021, the Board of Directors of **CARLOS DRUGS-LUCENA, INC.**, approved and authorized the issuance of these audited financial statements as of and for the year ended December 31, 2020 (including the comparatives for the year ended December 31, 2019).

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standard (PFRS) issued by the Philippine Financial Reporting Standards Council.

Functional and Presentation Currency

They are presented in Philippine Peso (P) which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

Basis of Measurement

The financial statements have been prepared on a historical costs basis unless stated otherwise.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of New and Revised Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2020.

Effective in 2020 that are Relevant to the Company

The Company adopted new and revised PFRS, which became effective on January 1, 2020. These are summarized below.

- **Amendments to References to the Conceptual Framework in PFRS** – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- **Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material** – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Effective for annual period beginning on or after June 1, 2020

- **Amendments to PFRS 16, Leases – Covid-19 Related Rent Concessions** – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

Effective in 2020 that are not Relevant to the Company

The following new PFRS, and amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2020 but are not relevant to the Company's financial statements:

- **Amendments to PFRS 3 - Definition of a Business** – This amendment provides an improved definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets must include, at a minimum, ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

Effective Subsequent to 2020 but not Adopted Early

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the financial statements are summarized below. Unless otherwise stated, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Effective for annual periods beginning on or after January 1, 2022:

- **Amendments to PFRS 3, Reference to Conceptual Framework** – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- **Amendments to PAS 16, Property, Plant and Equipment - Proceeds Before Intended Use** – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- **Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract** – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- **Annual Improvements to PFRS 2018 to 2020 Cycle:**
 - **Amendments to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter** – The amendments permit a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendments is permitted.
 - **Amendments to PFRS 9, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 16, *Leases - Lease Incentives* - The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* - The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, *Fair Value Measurement*. The amendment should be applied prospectively.

Effective for annual periods beginning on or after January 1, 2023

- **Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*** - The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025

- **PFRS 17, *Insurance Contracts*** - This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity

- **Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*** - The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Financial Instruments*Initial Recognition and Measurement*

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Company classifies its financial assets at initial recognition under the following categories:

- (a) Financial assets at FVPL,
- (b) Financial assets at amortized cost and
- (c) Financial assets at fair value through other comprehensive income (FVOCI).

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL

Financial assets and liabilities at FVPL are either classified as held for trading or designated as FVPL.

This category includes equity instruments which the Company had not irrevocably elected to classify as FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and to sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As of December 31, 2020 and 2019, the Company does not have financial assets and liabilities classified as FVPL.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2020 and 2019, the Company's cash and trade and other receivables, net are classified under this category.

Financial Assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI as long as these are not held for trading purposes.

After initial recognition, Financial assets at FVOCI are presented in the financial statements at fair value with changes in fair value are recognized in OCI.

Interest income on debt instruments is calculated using the effective interest method while impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established. Cumulative changes in fair value of FVOCI equity instruments are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As of December 31, 2020 and 2019, the Company does not have financial assets classified as FVOCI.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of December 31, 2020 and 2019, the Company's trade and other payables and lease liabilities accounts are classified under this category

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. For debt instruments that are considered impaired, lifetime ECL is computed based on the difference between the carrying amount of the instrument and the present value of the expected cash flows discounted using the original effective rate.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

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

The Company derecognizes a financial asset when the contractual right to the cash flows from the financial asset has expired or when the Company has transferred to another party substantially all of the risks and rewards of ownership of the financial asset.

Inventories

Inventories include pharmaceutical supplies and goods purchased, and held for resale to customers.

These are initially measured at cost. Costs of inventory include purchase price and all incidental costs necessary to bring the inventories to their saleable condition. Subsequently, inventories are reported in the statement of financial position at the lower of cost and net realizable value. Cost is calculated using first-in, first-out method.

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its net realizable value. If an item of inventory is impaired, its carrying amount is reduced to net realizable value, and an impairment loss is recognized immediately in profit and loss. Any reversal of impairment is recognized also in profit and loss.

Other Current Assets

This account includes prepayments and other current assets. Prepayments represent advance payment for income tax which the Company expects to consume within one year. Other current assets include excess input tax. Prepayments and other current assets are stated in the statement of financial position at cost less any portion that has already been consumed or that has already expired.

Property and Equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measured at cost. Such cost includes the purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation, which is computed on a straight-line basis, is recognized to allocate the cost of assets less their residual values over their estimated useful lives, as follows:

Particulars	Useful Lives
Building	20 years
Store and Office Equipment	5 years
Furniture and Fixtures	5 years
Transportation Equipment	10 years

The land is not depreciated. If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their costs and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Impairment of Non-Financial Assets

At each reporting date, non-financial assets 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 amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

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

Other Current Liabilities

This account include withholding taxes payables, and SSS, PHIC and HDMF payable. Other current liabilities are stated in the statement of financial position at an undiscounted amount.

Equity

Share Capital

Share capital represents the total par value of the ordinary shares issued.

Equity instruments are measured at the fair value of the cash or other consideration received or receivable, net of the direct costs of issuing the equity instruments.

The difference between the consideration received and the par value of the shares issued is credited to the share premium.

Retained Earnings

Retained earnings include income earned in current and prior periods net of any dividend declaration, effects of changes in accounting policy and prior period adjustments.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured by reference to the fair value of the consideration received or receivable excluding discounts, returns and sales taxes. Revenue is recognized at a point in time.

Sale of Goods

Revenue from sales of goods is recognized when the goods are delivered and the title has passed.

Finance Income

Finance income comprises interest income on bank deposits. Interest income is recognized in profit or loss as it accrues, using the effective interest method.

Expense Recognition

Expenses are decreases in economic benefits in the form of decreases in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expenses are incurred.

Cost of Sales

Costs of sales are recognized in profit or loss in the period the inventories are sold.

Operating Expenses

This account includes selling and general and administrative expenses. Selling expenses pertain to the cost of marketing and distribution of goods to customers. General and administrative expenses represent expenses such as salaries and wages, depreciation expense, taxes and licenses, communication, light and water, promotion advertisements, and other costs that cannot be associated directly with the goods sold.

Finance Costs

Finance costs comprise interest expense from bank charges. These are recognized in profit or loss in the period they are incurred using the effective interest method.

Income Taxes

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Employee Benefits

Short-term Benefits

Short-term benefits given by the Company to its employees include salaries and wages, compensated absences, 13th-month pay, employer share contributions and other de minimis benefits, among others.

These are recognized as an expense in the period the employees render services to the Company.

Retirement Benefits

The Company has not yet adopted a formal retirement plan for the benefit of its qualified employees. Under Republic Act 7641 (known as the Retirement Pay Law), in the absence of a retirement plan or agreement providing for retirement benefits or employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five (5) years in a private company, may retire and shall be entitled to retirement pay equivalent to at least $\frac{1}{2}$ month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year.

Related Parties

A related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities that are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Leases

A lease is a contract that conveys the right to use an identified asset for a period of time in exchange for a consideration.

Determination as to whether a contract is, or contains, a lease is made at the inception of the lease. Accordingly, the Company assesses whether the contract meets three key evaluations which are:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the lessee;
- the lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the lessee has the right to direct the use of the identified asset throughout the period of use. The lessee assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Company as Lessee

At lease commencement date, the Company recognizes a right-of-use asset and lease liability in the statement of financial position. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed), variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability is increased for interest incurred and reduced for lease payments made.

The right-of-use asset is initially measured at the amount of lease liability adjusted for any initial direct costs incurred by the lessee, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Provisions and Contingencies

Provisions are recognized only when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to transfer economic benefits in a settlement, and the amount of provision can be estimated reliably.

Contingent assets and liabilities are not recognized in the financial statements.

Changes in Accounting Policies and Estimates and Correction of Prior Years' Errors

The Company applies changes in accounting policy if the change is required by the accounting standards or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Company's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are treated as an adjustment of the opening retained earnings of the current period.

Changes in accounting estimates are recognized prospectively by reflecting it in the profit and loss in the period of the change if the changes affect that period only or the period of the change and future periods if the change affects both.

Prior period errors are omissions from, and misstatements in the Company's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Company corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior periods(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Company restates the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Subsequent Events

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after the period end (non-adjusting events) are disclosed in the notes to the financial statements.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs the asset or liability.

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgment

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

Assessment of Impairment of Nonfinancial Assets

The Company determines whether there are indicators of impairment of the Company's non-financial assets. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

No impairment loss was recognized in the Company's financial statements in either 2020 or 2019.

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results could differ from those estimates. Presented below are the relevant significant estimates performed by management in preparing the financial statements.

Determining NRV of Inventories

The Company recognizes Inventory write down and losses whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made of the amount the Inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The adequacy of allowance for Inventory write-down and losses is reviewed periodically to reflect the accurate valuation in the financial statements.

The carrying amount of inventories amounted to ₱337,425,711 and ₱388,812,610 as of December 31, 2020 and 2019, respectively (see Note 7). No allowance for inventory write-down and losses were provided during the years 2020 and 2019.

Estimated Expected Credit Losses of Trade and Other Receivables

The Company adopted the simplified approach in measuring ECL based on lifetime expected credit losses on its trade and other receivables. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Provision for expected credit losses recognized in 2020 and 2019 amounted to ₱28,064 and nil, respectively (see Note 6).

Based on management assessment, the allowance for expected credit losses of trade and other receivables as of December 31, 2020 and 2019 is adequate to cover for possible losses.

Estimating Useful Lives of Property and Equipment

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

There were no changes in estimated useful lives of property and equipment during 2020 and 2019 (see Note 9).

Assessing Realizability of Deferred Tax Assets

The Company reviews the carrying amount of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting 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 assets amounted to ₱899,587 and ₱222,670 as of December 31, 2020 and 2019, respectively (see Note 20).

NOTE 5 - CASH

This account consist of cash in bank amounted to ₱1,741,537 and ₱2,479,492 for the years ended December 31, 2020 and 2019, respectively.

Cash in bank earns interest based on the prevailing interest rates. Interest earned on bank deposits amounted to ₱1,238 and ₱1,715 in 2020 and 2019, respectively. This is presented as "Finance Income" in the Statements of Comprehensive Income.

NOTE 6 - TRADE AND OTHER RECEIVABLES, NET

This account consists of:

<i>(In Philippine Peso)</i>	2020	2019
Trade Receivables	2,087,949	2,806,385
Allowance for Credit Losses	(28,064)	-
	<u>2,059,885</u>	<u>2,806,385</u>

Sales are made on the basis of normal credit terms of 30 days, and the trade receivables do not bear interest.

The status of the Company's trade and other receivables is as follows:

<i>(In Philippine Peso)</i>	2020	2019
Current	2,087,949	2,806,385
Past Due	-	-
Ending Balance	<u>2,087,949</u>	<u>2,806,385</u>

Movement of the allowance for credit losses for Trade and Other Receivable of the Company are as follows:

<i>(In Philippine Peso)</i>	2020	2019
Beginning Balance	-	-
Provision for Credit Losses	28,064	-
Write-off/ Reversal	-	-
Ending Balance (see Note 23)	<u>28,064</u>	<u>-</u>

NOTE 7 - INVENTORIES

Inventories as of December 31, 2020 and 2019 were all stated at cost, which is lower than their net realizable value.

The carrying value of inventories as of December 31, 2020 and 2019 amounted to P337,425,711 and P388,812,610 respectively.

The Company recognized as expense, inventories costing P510,637,170 and P548,565,871 in 2020 and 2019, respectively. No impairment loss was recognized in either 2020 or 2019. No portion of the inventory was pledged as security for any liability.

NOTE 8 - OTHER CURRENT ASSETS

This account consists of:

<i>(In Philippine Peso)</i>	2020	2019
Prepaid Income Tax (see Note 20)	-	469,332
Input VAT	-	175,514
	-	644,846

NOTE 9 - PROPERTY AND EQUIPMENT, NET

Movements of property and equipment in 2020 and 2019 is as follows:

As of December 31, 2020

<i>(In Philippine Peso)</i>	Land	Building	Store and Office Equipment	Furniture and Fixtures	Transpor- tation Equipment	Total
Costs						
December 31, 2019	7,445,375	2,482,203	5,510,897	-	242,441	15,680,916
Additions	-	-	1,218,719	179,255	-	1,397,974
Disposals	-	-	-	-	-	-
December 31, 2020	7,445,375	2,482,203	6,729,616	179,255	242,441	17,078,890
Accumulated Depreciation						
December 31, 2019	-	959,596	2,700,840	-	101,844	3,762,280
Depreciation	-	65,267	224,320	17,926	6,927	314,440
Disposals	-	-	-	-	-	-
December 31, 2020	-	1,024,863	2,925,160	17,926	108,771	4,076,720
Net Carrying Amount	7,445,375	1,457,340	3,804,456	161,329	133,670	13,002,170

As of December 31, 2019

(In Philippine Peso)	Land	Building	Store and Office Equipment	Transportation Equipment	Total
Costs					
December 31, 2018	7,445,375	2,482,203	5,510,897	242,441	15,680,916
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
December 31, 2019	7,445,375	2,482,203	5,510,897	242,441	15,680,916
Accumulated Depreciation					
December 31, 2018	-	894,329	2,517,143	94,917	3,506,389
Depreciation	-	65,267	183,697	6,927	255,890
Disposals	-	-	-	-	-
December 31, 2019	-	959,596	2,700,840	101,844	3,762,279
Net Carrying Amount	7,445,375	1,522,607	2,810,057	140,597	11,918,637

All depreciation expenses during 2020 and 2019 are recognized in the profit or loss as operating expense.

Management has reviewed the carrying values of property and equipment as of December 31, 2020 and 2019 for any indications of impairment. Based on its evaluation, there were no indications that the assets are impaired.

NOTE 10 - TRADE AND OTHER PAYABLES

This account consists of:

(In Philippine Peso)	2020	2019
Trade Payables	299,662,573	361,031,256
Accrued Expenses	7,125,397	711,129
	306,787,970	361,742,385

Accrued expenses consist of the following:

(In Philippine Peso)	2020	2019
Salaries Payable	7,060,397	646,129
Professional Fee	65,000	65,000
	7,125,397	711,129

Trade payables represent liabilities arising from the purchase of goods from various suppliers. The terms of these liabilities range between 30 and 60 days and do not bear interest.

NOTE 11 - OTHER CURRENT LIABILITIES

This account consists of:

(In Philippine Peso)	2020	2019
Withholding Payable	531,645	-
SSS, PHIC and HMDF Payable	375,458	-
	907,103	-

NOTE 12 - EQUITY

Share Capital

The Company is authorized to issue four hundred thousand (400,000) ordinary shares with a par value of one hundred pesos (P100.00) per share.

As of December 31, 2020, and 2019, the Company has eighteen (18) shareholders owning 100 or more shares each of the Company's capital stock.

A reconciliation of the shares outstanding at the beginning and the end of the reporting periods follows:

	Number of Shares	Amount (in Philippine Peso)
Outstanding Shares, December 31, 2019	285,074	28,507,400
Issuance	-	-
Reacquisition	-	-
Outstanding Shares, December 31, 2020	285,074	28,507,400

Retained Earnings

The cumulative balances of Retained Earnings as of December 31, 2020 and 2019 amounted to P17,756,239 and P15,892,622, respectively.

NOTE 13 - SALES

This account comprised of income arising from sales to various customers during the year. Total sales for the years ended December 31, 2020 and 2019 has totaled to P584,391,148 and P597,043,773, respectively.

NOTE 14 - COST OF SALES

The cost of sales is computed as follows:

(In Philippine Peso)	2020	2019
Inventory, January 1	388,812,610	430,389,892
Purchases	459,250,272	506,988,589
Total Goods Available for Sale	848,062,882	937,378,481
Inventory, December 31 (see Note 7)	(337,425,712)	(388,812,610)
Cost of Sales	510,637,170	548,565,871

NOTE 15 - OPERATING EXPENSES

This account consists of:

(In Philippine Peso)	2020	2019
Salaries and Wages	45,892,583	22,821,757
Depreciation Expense- ROU (see Note 19)	8,746,956	8,746,956
Taxes and Licenses (see Note 27)	4,579,825	3,616,294
SSS, PHIC and HMDF Contributions	4,505,494	2,210,150
Communication, Light and Water	3,317,016	4,614,704
Promotion and Advertisements	943,616	9,661
Insurance	617,829	288,312
Supplies Expense	594,927	917,678
Retirement Benefit Expense (see Note 17)	382,438	-
Depreciation Expense (see Note 9)	314,440	255,890
Security Services	266,124	1,039,213
Repairs and Maintenance	192,784	92,562
Professional Fees	65,000	-
Bad Debt Expense (see Note 6)	28,064	-
Fuel and Oil	-	119,678
Penalties and Surcharges	-	205,345
	70,447,096	44,938,200

All employee benefits expenses and impairment losses is recognized as operating expenses in the statement of profit or loss.

NOTE 16 - OTHER COSTS

This account consist of:

(In Philippine Peso)	2020	2019
Interest Expense - Lease Liabilities	638,265	918,430
Finance Costs	8,075	-
	646,340	918,430

NOTE 17 - RETIREMENT BENEFITS

The Company's retirement benefit obligation is measured using the accrual approach based on the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as the Philippine Retirement Pay Law. Accrual approach is applied by calculating the expected liability as of reporting date using the current salary of entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

Management believes that the effect on the financial statements of the difference between the retirement expense determined under the current method used by the Company and an acceptable actuarial valuation method, using the project unit credit method, is not significant.

The Company's estimated value of employees' annual retirement benefits for the year 2020 aggregated to P382,438.

Retirement Benefits

(in Philippine Peso)	2020	2019
Beginning Balance	-	-
Retirement Benefits Expense	382,438	-
Retirement Benefits Paid During the Year	-	-
Total	382,438	-

NOTE 18 - RELATED PARTY TRANSACTIONS

Key Management Compensation

No salaries were paid or accrued to key management personnel for the year 2020 and 2019.

NOTE 19 - LEASES

Company as a Lessee

The Company entered into lease agreement covering its drugstores. The term of the lease is one (1) year with option to renew and extendible on such terms and conditions as may be mutually agreed upon by the parties. The total rent payment for the years 2020 and 2019 has amounted to ₱9,585,793 and ₱8,923,154, respectively.

The roll forward analysis of right-of-use assets is follows:

Cost	2020	2019
At January 1	26,240,869	-
Additions	-	26,240,869
At December 31	26,240,869	26,240,869
At January 1	8,746,956	-
Depreciation	8,746,956	8,746,956
At December 31	17,493,912	8,746,956
Net Book Value	8,746,957	17,493,913

The following are the amounts recognized in the Statement of Income:

	2020	2019
Depreciation Expense of ROU (see Note 15)	8,746,956	8,746,956
Interest Expense of Lease Liabilities (see Note 16)	638,265	918,430
	9,385,221	9,665,386

The roll forward analysis of lease liabilities:

	2020	2019
At January 1	18,236,145	-
Interest Expense	638,265	918,430
Additions	-	26,240,869
Payments	(9,585,793)	(8,923,154)
At December 31	9,288,617	18,236,145

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

	2020	2019
Within One Year	1,254,946	616,681
More than One Year to Five Years	8,033,671	17,619,464
	9,288,617	18,236,325

NOTE 20 - INCOME TAX

Income tax expense as presented in the statements of income for the years ended December 31 consists of:

(In Philippine Peso)	2020	2019
Current Tax Expense	861,142	1,070,655
Deferred Tax Benefit	(62,979)	(222,670)
Income Tax Expense	798,163	847,985

A reconciliation of Income before tax reported in the statement of comprehensive income and taxable income is as follows:

Regular Corporate Income Tax

(In Philippine Peso)	2020	2019
Income Before Tax	2,661,780	2,622,987
Add (Less):		
Interest Income subject to Final Tax (see Note 5)	(1,238)	(1,715)
Actual Payment of Annual Rent (see Note 19)	(9,585,793)	(8,923,154)
Nondeductible Depreciation - ROU (see Note 19)	8,746,956	8,746,956
Nondeductible Interest on Lease Liability (see Note 16)	638,265	918,430
Nondeductible ECL Provision	28,064	-
Nondeductible Retirement Benefit Expense (see Note 17)	382,438	-
Nondeductible Penalties and Surcharges	-	205,345
Taxable Net Income	2,870,472	3,568,848
Tax Rate	30%	30%
Current Income Tax Expense (RCIT)	861,142	1,070,655

A reconciliation of income tax expense at statutory tax and as presented in the statements of comprehensive income is as follows:

(In Philippine Peso)	2020	2019
Statutory Income Tax	861,142	1,070,655
Add (Deduct):		
Actual Payment of Annual Rent	2,875,738	2,676,946
Depreciation - Right of Use (see Note 19)	(2,624,087)	(2,624,087)
Interest on Lease Liability	(191,480)	(275,529)
ECL Provision (see Note 6)	(8,419)	-
Retirement Benefit Expense (see Note 17)	(114,731)	-
	798,163	847,985

The Company is subject to the Regular Corporate Income Tax (RCIT) of 30% based on the taxable net income or the Minimum Corporate Income Tax (MCIT) of 2% based on the taxable gross income, whichever is higher.

Minimum Corporate Income Tax

(In Philippine Peso)	2020	2019
Gross Income	73,753,978	48,477,902
Tax Rate	2%	2%
MCIT	1,475,080	969,558

Based on the figures presented above, the Company is liable for the payment of MCIT in 2020 and RCIT in 2019.

Income Tax Payable is computed as follows:

(In Philippine Peso)	2020	2019
Income Tax Due	1,475,080	1,070,655
Tax Credits:		
Prior Year's Excess Credits	(469,333)	-
Deferred Charges - MCIT	-	(730,161)
Quarterly Income Tax Payments	(655,059)	(499,750)
Creditable Withholding Tax	(104,608)	(310,076)
Total Tax Credits	(1,229,000)	(1,539,987)
Income Tax Payable (Overpayment)	246,080	(469,332)

The Company's Deferred MCIT Credits as of December 31, 2020 that can be claimed as tax credits against regular income tax in the future are as follows:

Year Incurred	Amount	Applied Previous Year	Expired	31-Dec-20	Expiry Date
2020	613,938	-	-	613,938	31-Dec-23
2018	730,161	(730,161)	-	-	31-Dec-21

Deferred Tax Asset (DTA) consists of:

(In Philippine Peso)	2020	2019
DTA from Leases	162,499	222,670
DTA arising from ECL Provision	8,419	-
DTA arising from Retirement Benefit Provision	114,731	-
DTA from MCIT	613,938	-
	899,587	222,670

An analysis of DTA follows:

(In Philippine Peso)	2020	2019
DTA, Beginning Balance	222,670	
Add (Less):		
DTL from Leases	(60,171)	222,670
DTA arising from ECL Provision	8,419	-
DTA arising from Retirement Benefits Provision	114,731	-
DTA arising from MCIT	613,938	-
DTA, Ending Balance	899,587	222,670

NOTE 21 - OTHERS

Impact of COVID-19

On March 11, 2020, the World Health Organization has declared the coronavirus outbreak disease 2019 (COVID-19) outbreak to be a global pandemic. COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of public health standards and community quarantine in order to contain the spread of COVID-19.

The impact of COVID-19 to the Company's business operations relates to certain operational adjustments to ensure appropriate response to the effects of COVID-19. In response to this matter, the Company innovated operational strategy in order to adapt to the 'new normal mindset', minimized operating expenses, implemented cost saving measures and ensured compliance with health and safety guidelines to protect employees, contractors and customers. The Company assessed that COVID-19 impact did not result to material changes in the overall operations of the Company for the year ended December 31, 2020.

There were also no material changes in the Company's loss allowance on trade receivables that have been recognized in the financial statements as of December 31, 2020.

The Company continues to monitor the risks and on-going COVID-19 impact to its business.

NOTE 22 - EVENT AFTER THE REPORTING PERIOD

Impact of CREATE Act

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax incentives for Enterprises Act" (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

- Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023; and
- The imposition of improperly accumulated earnings is repealed.

The impact of the RA 11534 on the Company's financial statements as of and for the year ended December 31, 2020, is presented below:

	As of December 31, 2020	Effect of Changes in Tax Rates	Adjusted amount based on the reduced tax rates
Statements of Income			
Current Tax Expense	861,142	(71,762)	789,380
Deferred Tax Benefit	62,979	5,248	57,731
Net Income	1,863,617	66,514	1,930,131
Statements of Financial Position			
Prepaid Income Tax	-	(122,690)	122,690
Deferred Tax Asset	899,587	302,256	597,331
Income Tax Payable	246,080	(246,080)	-
Retained Earnings	17,756,239	66,514	17,822,753

NOTE 23 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Company's financial instruments is to fund its operations and capital expenditures. The Company is exposed to financial risks through its financial assets and financial liabilities. The most important components of this financial risk arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk.

The Board of Directors (BOD) regularly reviews and approves policies for managing each of these risks. The Company monitors market risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Company's risk management policies are summarized as follows:

Interest Rate Risk

The Company's exposure to the risk for changes in interest rates is not significant as it relates primarily to the Company's bank deposits. As of December 31, 2020 and 2019, the Company's bank deposits amounted to ₱1,741,537 and ₱2,479,492, respectively.

Liquidity Risk

The Company's exposure to liquidity risk is minimal. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of loans. In addition, the Company regularly evaluates its projected and actual cash flows. Fund raising activities may include bank loans.

The following table presents the maturity profile of the Company's financial liabilities as of December 31, 2020 and 2019 based on contractual undiscounted payments.

2020	Less than 3 Months	3 Months to 1 Year	More than 1 Year	Total
Trade and Other Payables	306,787,970	-	-	306,787,970
Lease Liabilities	1,254,946	-	8,033,671	9,288,617
	308,042,916	-	8,033,671	316,076,587

2019	Less than 3 Months	3 Months to 1 Year	More than 1 Year	Total
Trade and Other Payables	361,742,385	-	-	361,742,385
Lease Liabilities	616,681	-	17,619,464	18,236,145
	362,359,066	-	17,619,464	379,978,530

Credit Risk

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

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

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

(In Philippine Peso)	2020	2019
Cash	1,741,537	2,479,492
Trade and Other Receivables, Net	2,059,885	2,806,385
	3,801,422	5,285,877

Cash

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

Trade and Other Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the inflation rate and the unemployment rate of the locations in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as of December 31, 2020 and 2019 were determined as follows:

	Collected before the Issuance of FS	Current	1-30 days Past Due	31-60 days past due	Over 60 days past due	Total
December 31, 2020						
ECL Rate	0%	1%	5%	10%	20%	
Gross Carrying Amount	-	2,087,949	-	-	-	2,087,949
Loss Allowance	-	28,064	-	-	-	28,064
December 31, 2019						
ECL Rate	0%	0%	5%	10%	20%	
Gross Carrying Amount	-	2,806,385	-	-	-	2,806,385
Loss Allowance	-	-	-	-	-	-

NOTE 24 - CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Company considers its share capital and retained earnings totaling ₱46,263,639 as of December 31, 2020 and ₱44,400,022 as of December 31, 2019 as its capital employed. The Company maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns to shareholders over the long term. No changes were made in the objectives, policies or processes during the years ended December 31, 2020 and 2019.

NOTE 25 - FAIR VALUE MEASUREMENT

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

2020	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
Financial Assets				
Cash	1,741,537	-	1,741,537	-
Trade and Other Receivables, Net	2,059,885	-	2,059,885	-
Financial Liabilities				
Trade and Other Payables	306,787,970	-	306,787,970	-
Lease Liabilities	9,288,617	-	9,288,617	-

2019	Carrying Value	Fair Value		
		Level 1	Lever 2	Lever 3
Financial Assets				
Cash				
Trade and Other Receivables, Net	2,479,492	-	2,479,492	-
	2,806,385	-	2,806,385	-
Financial Liabilities				
Trade and Other Payables	361,742,385	-	361,742,385	-
Lease Liabilities	18,236,145	-	18,236,145	-

NOTE 26 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

2020		Lease Liabilities
Balance as of January 1, 2020		18,236,145
Cash flow from Financing Activities:		
Additional Borrowing		
Repayment of Borrowing		
Non-Cash Financing Activities		(9,585,793)
Interest Amortization on Lease Liabilities		
Balance, December 31, 2020		638,265
		9,288,617
2019		Lease Liabilities
Balance, January 1, 2019		26,240,869
Cash flow from Financing Activities:		
Additional Borrowing		
Repayment of Borrowing		
Non-Cash Financing Activities		(8,923,154)
Interest Amortization on Lease Liabilities		
Balance, December 31, 2019		918,430
		18,236,145

NOTE 27 - SUPPLEMENTARY INFORMATION REQUIRED BY BIR

In compliance with the requirements set forth by Revenue Regulations 15-2010 issued by the Bureau of Internal Revenue, hereunder is the information on taxes, duties and license fees paid or accrued during the taxable year 2020:

Under Revenue Regulation 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010 issued by the Bureau of Internal Revenue, hereunder is the information on taxes, duties and license fees paid or accrued during the taxable year 2020:

Value-Added Tax (VAT)

The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT.

Output VAT

Details of the Company's output VAT declaration follow:

<i>(In Philippine Peso)</i>	Net Sales	Output VAT
Vatable Sales	371,220,839	44,546,501
Sales to Government	2,631,587	315,790
Exempt Sales	210,538,722	-
	584,391,148	44,862,291

There are no zero rated sales during the year 2020.

Input VAT

The amount of input VAT claimed are broken down as follows:

<i>(In Philippine Peso)</i>	
Balance as of January 1	175,514
Purchases of Goods other than Capital Goods	42,381,552
Purchase of Services	989,844
Total	43,546,910
Less: Deductions from input VAT arising from:	
Allocable to Sales to Government	(8,075)
Allocable to Exempt Sales	(596,917)
Net input VAT	42,941,918
Less: Applied Input VAT during the year	(42,941,918)
Input VAT	-

Information on the Company's Importations

The Company did not enter into any transaction subject to an importation.

Excise Tax

The Company did not enter into any transaction subject to an excise tax.

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees, lodged under the caption "Taxes and Licenses" under the "Operating Expenses" section in the statement of income.

<i>(In Philippine Peso)</i>	
Business Permit	4,555,825
BIR Annual Registration Fee	24,000
Total (Note 15)	4,579,825

Withholding Taxes

(in Philippine Peso)

Withholding Taxes - Expanded

104,223

Tax Assessment and Cases

The Company has no final tax assessments and cases pending before the BIR as of December 31, 2020. On the other hand, the Company has no other pending cases tax cases outside the administration of the BIR as of the said year.

Under Revenue Regulation 34-2020

On December 18, 2020, the BIR has issued Revenue Regulation 34-2020 prescribing the guidelines and procedures for the submission of BIR form 1709, Transfer Pricing Documentation and other Supporting Documents.

As of December 31, 2020, the Company is not covered by the requirements and procedures for related party transactions provided under the regulation.

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**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN**

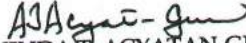
The Board of Directors and Stockholders
CARLOS DRUGS-LUCENA, INC.
Enriquez corner Tagarao Streets, Brgy. 4, Lucena City

We have audited the accompanying financial statements of **CARLOS DRUGS-LUCENA, INC.** (the "Company"), which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the Statements of Income, Statements of Changes in Equity and Statements of Cash Flows for the years then ended, on which we have rendered the attached report dated April 12, 2021.

In compliance with Revenue Regulations No. V-020, we are declaring the following:

1. The supplementary information on taxes and licenses is presented in Note 27 to the financial statements.
2. No partner of our Firm is related by consanguinity or affinity to the president, manager, senior officers or principal stockholders of the Company.

ACYATAN & CO., CPAs
BOA/PRC Accreditation No. 0141
Issued on 12-11-2019 Expiring on 07-10-2023
SEC Accreditation No. 0315-FR-1 (Group C)
Issued on 09-26-2018 Expiring on 09-25-2021


ARMINDA P. ACYATAN-GUERRERO
Managing Partner
CPA Certificate No. 085531
SEC Accreditation No. 1515-AR-1 (Group C)
Issued on 09-26-2018 Expiring on 09-25-2021
TIN 139-584-275
BIR A.N. 07-100170-001-2020
Issued on 09-14-2020 Expiring on 09-13-2023
PTR No. 4578536
Issued on 01-04-2021 at Mandaluyong City

April 12, 2021
Mandaluyong City-Philippines

OUR SEAL