

Delex Pharma International, Inc.

(A subsidiary of DLX Holdings,
Inc.)

Financial Statements

As at and for the year ended December 31, 2024

(With comparative figures as at and for the year ended
December 31, 2023)



Independent Auditor's Report

To the Board of Directors and Shareholder of
Delex Pharma International, Inc.
(A subsidiary of DLX Holdings, Inc.)
Blk. 4 Lot 4 Carnation cor. Magnolia St.
Brgy. Sauyo, Quezon City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Delex Pharma International, Inc. (the "Company") as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2024;
- the statement of total comprehensive income for the year ended December 31, 2024;
- the statement of changes in equity for the year ended December 31, 2024;
- the statement of cash flows for the year ended December 31, 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the "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.

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Other Matter

The financial statements of the Company as at and for the year ended December 31, 2023 were audited by another auditor whose report dated July 25, 2024 expressed an unqualified opinion on those statements.

As part of our audit of the 2024 financial statements, we also audited the adjustments described in Note 9 that were applied to reclassify certain accounts in the financial statements as at and for the year ended December 31, 2023. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Company's financial statements as at and for the year ended December 31, 2023 other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, 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

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



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

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



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Report on the Bureau of Internal Revenue (BIR) Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the BIR 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.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "Dmalco", written over a faint, larger version of the same signature.

Dennis M. Malco
Partner
CPA Cert. No. 126035
P.T.R. No. 0080034, issued on January 3, 2025, Makati City
TIN 268-146-184
BIR A.N. 08-000745-144-2025; issued on January 24, 2025; effective until January 23, 2028
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
July 22, 2025

Delex Pharma International, Inc.
(A subsidiary of DLX Holdings, Inc.)

Statement of Financial Position
As at December 31, 2024
(With comparative figures as at December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Current assets			
Cash	2	25,982,765	32,454,160
Trade and other receivables, net	3	213,769,534	234,826,911
Inventories, net	4	153,948,618	135,246,495
Prepayments and other current assets	5	48,242,831	55,300,697
Total current assets		441,943,748	457,828,263
Non-current assets			
Investment in subsidiaries	6	26,696,329	26,696,329
Property and equipment	7	81,750,071	80,987,718
Right-of-use assets	20	33,387,803	20,162,697
Intangible assets	8	362,918	657,481
Deferred tax assets	19	19,468,676	15,765,184
Other non-current assets	5	1,594,208	1,386,559
Total non-current assets		163,260,005	145,655,968
Total assets		605,203,753	603,484,231
Liabilities and Equity			
Current liabilities			
Trade payables and other current liabilities	9	152,994,010	175,219,530
Borrowings, current portion	10	198,573,643	190,098,335
Dividends payable, current portion	11	11,348,782	56,146,671
Lease liabilities, current portion	20	12,743,051	9,804,373
Total current liabilities		375,659,486	431,268,909
Non-current liabilities			
Due to related parties, net of current portion	11	-	1,532,604
Borrowings, net of current portion	10	23,072,925	8,957,019
Dividends payable, net of current portion	11	47,902,014	29,000,000
Deposit for future stock subscription	12	5,625,000	-
Retirement benefit obligation	18	21,110,721	19,753,724
Lease liabilities, net of current portion	20	21,650,591	11,124,965
Other non-current liabilities	9	18,198,720	19,405,387
Total non-current liabilities		137,559,971	89,773,699
Total liabilities		513,219,457	521,042,608
Equity			
Share capital	12	10,000,000	10,000,000
Remeasurement reserve on retirement benefit obligation, net	18	1,722,885	40,032
Retained earnings			
Appropriated	12	78,000,000	68,000,000
Unappropriated	12	2,261,411	4,401,591
Total equity		91,984,296	82,441,623
Total liabilities and equity		605,203,753	603,484,231

The notes on pages 1 to 40 are integral part of these financial statements.

Delex Pharma International, Inc.
(A subsidiary of DLX Holdings, Inc.)

Statement of Total Comprehensive Income
For the year ended December 31, 2024
(With comparative figures for the year ended December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Net sales	13	592,509,884	507,575,617
Cost of sales	14	(227,438,783)	(197,957,006)
Gross income		365,071,101	309,618,611
Selling expenses	15	(204,701,282)	(152,823,077)
Administrative expenses	16	(130,471,354)	(125,012,663)
Other income, net	17	13,561,218	3,815,495
Income from operations		43,459,683	35,598,366
Finance costs	10,11,20	(32,291,660)	(21,445,792)
Income before income tax		11,168,023	14,152,574
Income tax expense	19	(3,308,203)	(3,999,542)
Net income		7,859,820	10,153,032
Other comprehensive income, net			
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurement gain on retirement benefit obligation, net	18	1,682,853	862,108
Total comprehensive income for the year		9,542,673	11,015,140

The notes on pages 1 to 40 are integral part of these financial statements.

Delex Pharma International, Inc.
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Statement of Changes in Equity
For the year ended December 31, 2024
(With comparative figures for the year ended December 31, 2023)
(All amounts in Philippine Peso)

	Share capital (Note 12)	Remeasurement reserve on retirement benefit obligation, net (Note 18)	Retained earnings (Note 12)		Total equity
			Appropriated	Unappropriated	
Balances at January 1, 2023	2,500,000	(822,076)	50,000,000	12,248,559	63,926,483
Transactions with owners					
Additional paid capital	7,500,000	-	-	-	7,500,000
Comprehensive income for the year					
Net income	-	-	-	10,153,032	10,153,032
Other comprehensive income, net	-	862,108	-	-	862,108
Total comprehensive income for the year	-	862,108	-	10,153,032	11,015,140
Reversal of appropriated retained earnings	-	-	(50,000,000)	50,000,000	-
Appropriation of retained earnings	-	-	68,000,000	(68,000,000)	-
Balances at December 31, 2023	10,000,000	40,032	68,000,000	4,401,591	82,441,623
Comprehensive income for the year					
Net income	-	-	-	7,859,820	7,859,820
Other comprehensive income, net	-	1,682,853	-	-	1,682,853
Total comprehensive income for the year	-	1,682,853	-	7,859,820	9,542,673
Appropriation of retained earnings	-	-	10,000,000	(10,000,000)	-
Balances at December 31, 2024	10,000,000	1,722,885	78,000,000	2,261,411	91,984,296

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Delex Pharma International, Inc.
(A subsidiary of DLX Holdings, Inc.)

Statement of Cash Flows
For the year ended December 31, 2024
(With comparative figures for the year ended December 31, 2023)
(All amounts in Philippine Peso)

	Notes	2024	2023
Cash flows from operating activities			
Income before income tax		11,168,023	14,152,574
Adjustments for:			
Provision for credit losses	3	83,569	483,362
Provision for inventory obsolescence	4	2,206,698	8,372,644
Depreciation and amortization	7,8,20	31,699,827	24,594,031
Interest expense	10,11,20	32,291,660	21,445,792
Retirement expense	18	3,600,800	4,257,862
Gain on sale of property and equipment	7	(1,461,980)	(839,286)
Unrealized foreign exchange gain		(144,557)	(51,503)
Interest income	2	(360)	(9,168)
Operating income before changes in assets and liabilities		79,443,680	72,406,308
Decrease (increase) in:			
Trade and other receivables		20,973,808	(19,803,172)
Inventories		(20,908,821)	(41,750,142)
Prepayments and other current assets		7,057,866	(10,369,832)
Other non-current assets		(207,646)	52,134
(Decrease) increase in:			
Trade payables and other current liabilities		(24,836,406)	46,870,310
Due to related parties		(4,546,719)	(8,355,912)
Cash generated from operations		56,975,762	39,049,694
Interest received		360	9,168
Income taxes paid		(2,541,766)	(6,875,497)
Net cash generated from operating activities		54,434,356	32,183,365
Cash flows used in investing activities			
Proceeds from sale of property and equipment	7	1,465,322	940,000
Acquisition of property and equipment	7	(3,964,817)	(24,517,232)
Payment of subscribed shares of subsidiary	9	(1,206,667)	-
Acquisition of intangible assets	8	-	(103,020)
Net cash used in investing activities		(3,706,162)	(23,680,252)
Cash flows from financing activities			
Proceeds from borrowings	10	596,395,900	516,966,486
Payments of borrowings	10	(588,868,496)	(475,787,836)
Interest payment on borrowings	10	(30,292,638)	(20,110,753)
Payment of lease liabilities	20	(14,308,037)	(10,514,493)
Dividends paid	12	(25,895,875)	(15,433,008)
Proceeds from deposit for future stock subscription	12	5,625,000	-
Proceeds from issuance of capital stock	12	-	7,500,000
Net cash (used in) from financing activities		(57,344,146)	2,620,396
Net (decrease) increase in cash and cash equivalents		(6,615,952)	11,123,509
Cash and cash equivalents at January 1		32,454,160	21,279,148
Effect of foreign exchange changes in cash		144,557	51,503
Cash and cash equivalents at December 31		25,982,765	32,454,160

The notes on pages 1 to 40 are integral part of these financial statements.

Delex Pharma International, Inc.
(A subsidiary of DLX Holdings, Inc.)

Notes to the Financial Statements

As at and for the year ended December 31, 2024

(With comparative figures as at and for the year ended December 31, 2023)

(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

1 General information

Delex Pharma International, Inc. was incorporated and registered with the Securities and Exchange Commission (SEC) on July 13, 2009. The Company was established primarily to engage in trading goods such as medical supplies, equipment, pharmaceutical products and food supplements on wholesale or retail basis.

The Company is 60.00% owned by DLX Holdings, Inc. and 40.00% owned by High Everest Capital, Inc. Both entities are incorporated in the Philippines. DLX Holdings, Inc. is the Company's immediate and ultimate parent company.

The Company has its registered office address, which is also its principal place of business, at Blk. 4 Lot 4 Carnation cor. Magnolia St., Brgy. Sauyo, Quezon City.

Approval of the financial statements

These financial statements were authorized and approved for issuance by the Company's Board of Directors (BOD) on July 22, 2025.

2 Cash

Cash as at December 31 consist of:

	2024	2023
Cash in banks	11,580,718	16,431,645
Cash on hand	14,402,047	16,022,515
	25,982,765	32,454,160

Cash in banks bear interest at the respective bank interest rates ranging from 0.0625% to 0.10% in 2024 (2023 - 0.25% to 0.50%).

Cash in banks earn annual interest at the prevailing bank deposit rate. Interest income earned from cash in banks for the year ended December 31, 2024 amounted to P360 (2023 - P9,168) (Note 17).

3 Trade and other receivables, net

Trade and other receivables as at December 31 consist of:

	Note	2024	2023
Trade receivables		161,449,176	170,794,955
Less: allowance for expected credit loss (ECL)		(32,476,950)	(33,149,422)
Trade receivables, net		128,972,226	137,645,533
Advances to employees		9,524,388	5,450,802
Due from related parties	11	66,591,677	87,172,250
Other receivables		8,681,243	4,558,326
		213,769,534	234,826,911

Trade receivables are collectible in cash, unsecured, non-interest bearing and are generally collected on 30 to 90-day terms.

Other receivables mainly consist of expenses made by officers or employees in excess of allowed per company policy. Such excess expenses will be recovered by the Company through salary deduction.

Movements in the allowance for ECL are as follows:

	Note	2024	2023
Beginning of the year		33,149,422	33,002,899
Provision for expected credit losses	16	83,569	483,362
Write-off		(756,041)	(336,839)
End of the year		32,476,950	33,149,422

Critical accounting estimate - Expected credit losses (ECL) on trade and other receivables

ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Company has used relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgments. In determining the ECL of trade receivables, the Company used three years of historical losses data to determine the loss rate and applied an adjustment against the historical loss rate based on the change in inflation rate and gross domestic product to reflect the current and forward-looking information.

Any change in the Company's assessment of the collectability of trade receivables could impact the recorded carrying amount of receivables and related provision for impairment.

4 Inventories, net

Inventories as at December 31 consist of:

	2024	2023
Merchandise inventories	154,443,920	143,619,139
Less: allowance for inventory obsolescence	(495,302)	(8,372,644)
	153,948,618	135,246,495

Total cost of inventories recognized as expense and included in cost of sales for the year ended December 31, 2024 amounted to P227,438,783 (2023 - P197,957,006) (Note 14).

Movements in the allowance for inventory obsolescence are as follows:

	Note	2024	2023
Beginning of the year		8,372,644	-
Provision for inventory obsolescence	14	2,206,698	8,372,644
Write-off		(10,084,040)	-
End of the year		495,302	8,372,644

Critical accounting estimate - Provision for inventory obsolescence

Provision for inventory obsolescence is maintained at a level considered adequate to provide for potential losses on inventory items. The level of provision is based on past experience and other factors affecting the recoverability and obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to the provision, is performed on a continuous basis throughout the year. Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future recoverability and utilization. The amount and timing of recorded expenses for any period would therefore differ based on the judgments made.

A change in provision for inventory obsolescence would impact the Company's recorded expenses and current assets.

5 Prepayments and other current assets; other non-current assets

Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	Note	2024	2023
Advances to suppliers		25,073,824	28,145,452
Office supplies		11,271,854	9,898,770
Prepaid expenses		3,971,504	10,557,999
Advances for liquidation		5,323,483	4,659,500
Prepaid rent	20	495,463	437,963
Deferred input VAT		-	44,823
Others		2,106,703	1,556,190
		<u>48,242,831</u>	<u>55,300,697</u>

Advances to suppliers represent advance consultancy fees and payments to suppliers relating to importation of goods purchased that require certain percentage of down payments.

Advances for liquidation represents cash advances to employees for use in business-related expenses.

Other non-current assets

Other non-current assets as at December 31, 2024 pertain to security deposits amounting to P1,594,208 (2023 - P1,386,559) relating to lease of warehouses (Note 20). The amount is refundable to the Company at the end of the lease term.

6 Investment in subsidiaries

On February 5, 2022, the Company acquired 25,000 shares of stock of JMN Brothers Pharma Limited, Inc. (JMN) amounting to P4,657,778 representing 100% of its total shares. JMN is presently engaged in trading goods such as medical supplies, equipment, pharmaceutical products and food supplements on wholesale or retail basis.

As at December 31, 2024 and 2023, the balance of investment still unpaid amounted to P2,578,158.

JMN's principal place of business is at 4th Floor, Delex Corporate Center, Lot 4 Block 4 Carnation cor. Magnolia Sts., Sauyo 2, Quezon City.

On February 15, 2022, the Company acquired 711,000 shares for MDPharma, Inc. (MPI) from the individual shareholders amounting to P22,038,551 representing 100% of the total shares, payable in equal monthly installments for 3 years from the execution of Share Purchase Agreement (SPA). The Company also acquired effective control and management of MPI on the same date. MPI is presently engaged in importing, exporting, buying and marketing and sale of pharmaceutical products and food supplements.

As at December 31, 2024, the balance of investment still unpaid to the individual shareholders of MPI amounted to P20,831,885 (2023 - P22,038,551) and is presented as part of other payables (Note 9).

MPI's principal place of business is at 4th Floor, Delex Corporate Center, Lot 4 Block 4 Carnation cor. Magnolia Street, Sauyo 2, Quezon City.

7 Property and equipment, net

Details and movements of property and equipment, net as at and for the years ended December 31 are as follows:

	Land	Building and improvement	Leasehold improvements	Office furniture and equipment	Transportation equipment	Construction in progress	Total
At January 1, 2023							
Cost	6,911,830	51,553,910	8,066,564	40,904,207	20,959,979	-	128,396,490
Accumulated depreciation and amortization	-	(13,353,348)	(4,443,925)	(30,350,608)	(19,161,092)	-	(67,308,973)
Net carrying value	6,911,830	38,200,562	3,622,639	10,553,599	1,798,887	-	61,087,517
Year ended December 31, 2023							
Opening net carrying value	6,911,830	38,200,562	3,622,639	10,553,599	1,798,887	-	61,087,517
Additions	-	89,604	2,559,652	20,206,499	10,815,272	937,068	34,608,095
Disposals							
Cost	-	-	-	(4,500)	(4,932,068)	-	(4,936,568)
Accumulated depreciation	-	-	-	-	4,932,068	-	4,932,068
Depreciation expense and amortization	-	(2,105,717)	(1,403,042)	(9,340,364)	(1,854,271)	-	(14,703,394)
Closing net carrying value	6,911,830	36,184,449	4,779,249	21,415,234	10,759,888	937,068	80,987,718
At December 31, 2023							
Cost	6,911,830	51,643,514	10,626,216	61,106,206	26,843,183	937,068	158,068,017
Accumulated depreciation	-	(15,459,065)	(5,846,967)	(39,690,972)	(16,083,295)	-	(77,080,299)
Net carrying value	6,911,830	36,184,449	4,779,249	21,415,234	10,759,888	937,068	80,987,718
Year ended December 31, 2024							
Opening carrying value	6,911,830	36,184,449	4,779,249	21,415,234	10,759,888	937,068	80,987,718
Additions	-	-	82,775	2,655,282	14,325,009	1,965,562	19,028,628
Disposals							
Cost	-	-	-	(511,174)	(5,726,426)	-	(6,237,600)
Accumulated depreciation	-	-	-	507,832	5,726,426	-	6,234,258
Depreciation expense (Notes 12,13)	-	(2,106,464)	(1,390,588)	(10,856,603)	(3,909,278)	-	(18,262,933)
Closing net carrying value	6,911,830	34,077,985	3,471,436	13,210,571	21,175,619	2,902,630	81,750,071
At December 31, 2024							
Cost	6,911,830	51,643,514	10,708,991	63,250,314	35,441,766	2,902,630	170,859,045
Accumulated depreciation	-	(17,565,529)	(7,237,555)	(50,039,743)	(14,266,147)	-	(89,108,974)
Net carrying value	6,911,830	34,077,985	3,471,436	13,210,571	21,175,619	2,902,630	81,750,071

For the year ended December 31, 2024, the Company disposed property and equipment with net book value of P3,342 (2023 - P4,500) for total proceeds of P1,465,322 (2023 - P940,000). The disposal for the year ended December 31, 2024 resulted to gain amounting to P1,461,980 (2023 - P839,286), presented as other income in the statements of total comprehensive income (Note 17).

Depreciation and amortization expense charged to profit or loss for the years ended December 31 consist of:

	Notes	2024	2023
Property and equipment		18,262,933	14,703,394
Intangible assets	8	294,563	506,458
Right-of-use assets	20	13,142,331	9,384,179
		31,699,827	24,594,031

Depreciation expense is presented as in profit or loss for the years ended December 31 as follows:

	Notes	2024	2023
Selling expenses	15	17,360,737	12,591,293
Administrative expenses	16	14,339,090	12,002,738
		31,699,827	24,594,031

Critical accounting estimate - Useful lives of property and equipment

The Company determines the estimated useful lives for its property and equipment based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

Management has assessed that the useful lives of property and equipment are appropriate.

Critical accounting judgment - Impairment of property and equipment

The Company likewise reviews the carrying values of property and equipment and assesses them for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management uses judgment based on available facts and circumstances but not limited to evaluation of the future recoverability of property and equipment, in assessing whether a provision for impairment is required.

Management believes that there are no significant events or changes in circumstances which indicate that the carrying amount may not be recoverable at the reporting date.

8 Intangible assets, net

Details and movements of intangible assets, net which pertains to separately acquired software, as at and for the years ended December 31 are as follows:

	Notes	2024	2023
Balances at the beginning of the year			
Cost		3,574,566	3,471,546
Accumulated depreciation		(2,917,085)	(2,410,627)
Net carrying value		657,481	1,060,919
For the year ended December 31			
Opening net carrying value		657,481	1,060,919
Additions		-	103,020
Depreciation	7,16	(294,563)	(506,458)
Net carrying value		362,918	657,481
Balances at the end of the year			
Cost		3,574,566	3,574,566
Accumulated depreciation		(3,211,648)	(2,917,085)
Closing net carrying value		362,918	657,481

9 Trade payables and other current liabilities; other non-current liabilities

Trade and other current liabilities as at December 31 consist of:

	Note	2024	2023
Trade payables		103,008,758	119,960,822
Non-trade payables		27,399,283	23,754,625
Due to a related party, current portion	11	12,488,995	15,503,110
Accrued expenses		7,831,344	13,728,965
Contributions payable		1,282,934	1,208,297
Withholding tax payable		453,192	528,211
Others		529,504	535,500
		152,994,010	175,219,530

Trade payables represent liabilities for purchase of inventories and are unsecured, non-interest bearing and normally settled within 30 to 60 days.

Non-trade payables pertain mainly to amounts due for administrative and selling expenses. These payables are generally paid within the credit term of 30 to 60 days.

Accrued expenses mainly consist of accruals for salaries and commissions.

Other non-current liabilities

Other non-current liabilities as at December 31, 2024 amounting to P18,198,720 (2023 - P19,405,387) pertains to payable to shareholders of the acquired subsidiary which are payable within 12 months including the accretion of interest (Note 6). For the year ended December 31, 2024, the Company paid P1,206,667 (2023 - nil).

Reclassifications

In 2024, the Company changed the presentation of the following items in the statement of financial position as at December 31, 2023 to align with the current year presentation.

- a. Non-current portion of due to related parties amounting to P1,532,604 previously presented as trade payables and other liabilities under non-current liabilities was presented as a separate line item as due to related parties, net of current portion in the statement of financial position.
- b. Non-current portion of non-trade payables amounting to P19,405,387 previously presented as trade payables and other liabilities under non-current liabilities was presented as a separate line item as other non-current liabilities in the statement of financial position.

The foregoing reclassifications, which resulted into better and more appropriate presentation of balances, did not affect the previously reported retained earnings in the statement of financial position nor did it affect previously reported income in the statement of total comprehensive income.

There were no material changes in the total amounts of cash flows from operating, investing and financing activities for the year ended December 31, 2023.

10 Borrowings

Borrowings as at December 31 consist of:

	Note	2024	2023
Current			
Short term borrowings		151,439,267	168,776,386
Loans from related parties	11	31,611,023	18,000,000
Long-term loan, current portion		7,672,865	1,613,505
Car loan		7,850,488	1,708,444
		198,573,643	190,098,335
Non-current			
Long-term loan, net of current portion		10,321,488	574,600
Car loan		12,751,437	8,382,419
		23,072,925	8,957,019
		221,646,568	199,055,354

Short-term borrowings

The Company's short-term borrowings consist of short-term unsecured loans from local banks and other financial institutions obtained for working capital purposes. These borrowings bear interest rates ranging 8.5% to 30% and 8.00% to 11.00% in 2024 and 2023, respectively, with maturities ranging from one (1) to twelve (12) months from the end of the reporting period. There are no covenants and warranties, including breaches thereof, related to these short-term borrowings.

Long-term loan

On April 24, 2015, the Company obtained a long-term loan amounting to P12,000,000 from a local bank for the acquisition of a land and building. The loan bears 7.00% interest rate per annum and is payable in equal monthly installments over ten (10) years. The loan is secured by a mortgage on the Company's land and building with carrying amount of P40,989,816 as of December 31, 2024 (2023 - P43,096,279). There are no other covenants and warranties, including breaches thereof, related to these long-term borrowings.

In 2024, the Company obtained loans from a financial institution amounting to P15,000,000 for additional working capital purposes. The loan bears 15.00% interest rate per annum and is payable in equal monthly installments over three (3) years. The loan is secured by various medical equipment with carrying amount as at December 31, 2024 of P19,460,000.

Loans from a related party

The Company obtained loan from its shareholders that bears 12.00% interest rate per annum and is payable on demand. There are no covenants and warranties, including breaches thereof, related to these borrowings.

In 2024, the Company obtained additional loans from its shareholders amounting to P13,611,023 for additional working capital purposes. The loan bears 12.00% interest rate per annum and is payable on demand. There are no covenants and warranties, including breaches thereof, related to these borrowings.

Car loans

In 2024, the Company obtained loans amounting to P15,063,811 (2023 - P10,749,600) from a local bank for the acquisition of vehicles for business use. These loans bears interest rates ranging 10.48% to 13.03% per annum and is payable in equal monthly installments over ten (3) years. The loans are secured by the vehicle purchased using loan proceeds. There are no other covenants and warranties, including breaches thereof, related to these loans.

Movements in borrowings for the years ended December 31 are as follows:

	2024	2023
Beginning of the year	199,055,353	147,127,103
Proceeds from borrowings other than car loans	596,395,900	516,966,486
Additional car loans	15,063,811	10,749,600
Repayments	(588,868,496)	(475,787,836)
End of the year	221,646,568	199,055,353

Interest expense from borrowings for the year ended December 31, 2024 amounted to P26,932,654 (2023 - P19,052,366).

Presented below is the net debt reconciliation as at December 31:

	Notes	2024	2023
Cash	2	25,982,765	32,454,160
Due to related parties	9,11	(12,488,995)	(17,035,714)
Loans and borrowings		(221,646,568)	(199,055,354)
Dividends payable	12	(59,250,796)	(85,146,671)
Lease liabilities	20	(34,393,642)	(20,929,338)
Net debt		(301,797,236)	(289,712,917)

11 Related party transactions

Transactions between related parties are based on terms similar to those offered to non-related parties and are expected to be settled in cash. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence, such as affiliates. Related parties may be individuals or corporate entities. The Company, in the ordinary course of business, has transactions with related parties.

The table below summarizes the Company's transactions and balances with its related parties as at and for the years ended December 31, 2024 and 2023:

Due from related parties

	Transactions		Balances		Terms and conditions
	2024	2023	2024	2023	
Advances to					Advances are provided by the Company to its parent company, shareholders and subsidiaries for immediate operating cash requirements. These are collectible in cash at gross amounts, unsecured and non-interest bearing, collectible on demand but not later than 12 months from reporting period.
<i>Ultimate Parent Company</i>	284,286	410,178	35,650,158	35,365,872	
<i>Shareholders</i>	-	-	1,508,955	19,164,392	
<i>Subsidiaries</i>	-	-	29,432,564	32,641,986	
<i>Service fee income (Note 17)</i>					This represents the payment received by the Company in consideration of the promotional services performed relating to the products of its subsidiaries. The amount is equivalent to a certain percentage of the goods sold to wholesalers and retailers. Service fee income is recognized at the time the goods has been delivered to the customers.
<i>Subsidiaries</i>	3,027,248	3,028,963	-	-	
			66,591,677	87,172,250	

Due to related parties

	Transactions		Balances		Terms and conditions
	2024	2023	2024	2023	
<i>Current liabilities</i>					
Purchases					
<i>Subsidiaries</i>	-	-	(4,710,837)	(9,257,556)	Payable to related parties for purchases of goods. These are payable in cash at gross amounts, unsecured and non-interest bearing, collectible on demand but not later than 12 months from reporting period.
<hr/>					
Advances from					
<i>Shareholders</i>					
- <i>Individuals</i>	-	-	(5,200,000)	(5,200,000)	Advances are extended for working capital requirements which are payable in cash with no fixed repayment date. These are settled in cash, at gross amounts, unsecured, unguaranteed, and non-interest bearing, due on demand but not later than 12 months from reporting period.
<hr/>					
Unpaid share subscription					
<i>Shareholders</i>	-	-	(2,578,158)	(1,045,554)	This pertains to the portion of payable to shareholders of the acquired subsidiary which are payable within 12 months including the accretion of interest (Note 6).
			(12,488,995)	(15,503,110)	
<hr/>					
<i>Non-current</i>					
Unpaid share subscription					
<i>Shareholders</i>	-	-	-	(1,532,604)	This pertains to the portion of payable to shareholders of the acquired subsidiary which are payable in cash beyond 12 months from reporting date.

	Transactions		Balances		Terms and conditions
	2024	2023	2024	2023	
Loans from					The Company obtained loan from both its corporate and individual shareholders for working capital purposes. The loan bears 12.00% interest rate per annum and is payable on demand.
Shareholders - Individual	13,611,023	-	(13,611,023)	-	
Shareholders - Corporation	-	-	(18,000,000)	(18,000,000)	
Interest expense	3,359,984	1,058,387	-	-	
			(31,611,023)	(18,000,000)	
Deposit for future stock subscription					These pertains to the shareholder's deposit for future stock subscription in relation to the increase in authorized capital stock approved by the Company's BOD (Note 12).
Ultimate Parent Company	3,375,000	-	(3,375,000)	-	
Shareholders	2,250,000	-	(2,250,000)	-	
	5,625,000		(5,625,000)	-	
Dividends declared					Pertains to dividends payable to shareholders. These are payable in cash at gross amounts and are due on payment dates as approved by the Company's BOD. Of the outstanding balance as at December 31, 2024, P11,348,782 (2023 - P56,146,671) is payable within 12 months.
Current					
Ultimate Parent Company	-	-	(8,648,782)	(31,794,657)	
Shareholders	-	-	(2,700,000)	(53,352,014)	
			(11,348,782)	(56,146,671)	
Non-current					This pertains to the portion of dividends payable beyond 12 months as agreed between the Company and its shareholder (Note 12).
Shareholder	-	-	(47,902,014)	(29,000,000)	
			(59,250,796)	(85,146,671)	
Key management compensation (Note 16)					Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in cash every month. Retirement benefits is determined based on the retirement plan of the Company. Refer to Note 18 for further details.
Salaries and other short-term benefits	17,840,000	16,800,000	-	-	
Retirement benefits (Note 18)	307,890	342,874	(3,319,861)	(3,011,971)	
					The Company has not provided share-based payments, termination benefits or other long-term benefits to its key management personnel for the years ended December 31, 2024 and 2023.

The carrying amounts of advances from shareholders approximates its fair value due to its short-term maturity.

There are no collaterals held or guarantees issued with respect to related party transactions and balances.

12 Equity

Details of share capital as at December 31, 2024 and 2023 are as follows:

	Shares	Amount
Common shares at P100 par value per share		
Authorized share capital	100,000	10,000,000
Paid up capital	100,000	10,000,000

Each common share confers upon a common shareholder: a) the right to vote at any shareholder's meeting or on any resolution of the shareholders; and b) the rights to distribution of income under such terms and conditions as the Board of Directors may approve.

Deposit for future stock subscription

On February 20, 2023, the BOD approved the increase of authorized capital stock to P100,000,000 divided into 1,000,000 shares of stocks with par value of P100 per share. The Company's articles of incorporation was amended to reflect the increase in authorized capital stock subject for approval of the Securities and Exchange Commission.

The increase in authorized capital stock strengthens the Company's ability to raise additional capital and supports its long-term growth strategy. This action reflects the Company's commitment to maintaining financial flexibility and positioning itself for future opportunities.

In relation to the increase in authorized capital stock, the shareholders have subscribed 25% of the increase or P22,500,000 divided into 22,500 shares and paid in advanced the 25% of the subscription or P5,625,000. As at December 31, 2024, the Company is yet to submit its application of increase in authorized capital stock to the SEC. As at December 31, 2024, the advanced payment from the shareholders is presented as deposit for future stock subscription under non-current liabilities in the statements of financial position based on SEC Financial Reporting Bulletin No. 6 as revised in 2017, which states that an entity should not consider a deposit for future stock subscription as an equity instrument unless all of the following elements are present:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- An application for the approval of the increase in capital stock has been presented for filing or filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

On May 16, 2023, the Company issued 75,000 shares at a price of P100 per share resulting in total proceeds from issuance of P7,500,000. The issuance of additional capital stock is part of the Company's strategic plan to strengthen its capital base.

The newly issued shares confer the same rights and privileges as the existing shares of the company, including the right to vote and the right to receive dividends, subject to the Company's articles of incorporation and bylaws.

Retained earnings

On December 20, 2017, the BOD authorized the appropriation of retained earnings amounting to P50,000,000 for the acquisition of land and construction of Company's warehouse.

On May 5, 2023, the BOD approved the revocation of the appropriated retained earnings amounting to P50,000,000 for the acquisition of land and construction of Company's warehouse. In exchange of the aforementioned purpose, the amount is appropriated for the construction, development and/or expansion of the Company's pharmacies. On the same date, the BOD authorized the additional appropriation of retained earnings amounting P18,000,000 for the said purpose. These projects are expected to be completed by first quarter of 2026.

On December 20, 2024, the BOD authorized the additional appropriation of retained earnings amounting to P10,000,000 for the pharmacy expansion project which with a target of constructing 60 branches until first quarter of 2026.

Dividend declaration

On May 25, 2021, the Company's BOD declared cash dividends of P38,000,000 or P1,520 per share based on shareholders of record as of December 31, 2020 and is payable on or before December 31, 2022. On March 13, 2023, the Company's BOD amended a portion of its resolutions dated May 25, 2021, regarding dividend declaration, that instead of payable on or before December 31, 2022, it shall be payable on or before December 31, 2024. Outstanding balance as at December 31, 2024 amounted to P23,750,796 (2023 - P38,000,000).

On May 26, 2021, the Company's BOD declared cash dividends of P29,000,000 or P1,160 per share based on shareholders of record as of December 31, 2020 and is payable on or before December 31, 2023. On June 15, 2022, the Company's BOD amended a portion of its resolutions dated May 26, 2021, regarding cash dividend declaration, that instead of payable on or before December 31, 2023, it shall be payable on or before December 31, 2024. Further, on April 19, 2023, the Company's BOD amended a portion of its resolutions dated June 15, 2022, regarding the cash dividend declaration, that instead of payable on or before December 31, 2024, it shall be payable on or before December 31, 2025. Outstanding balance as at December 31, 2024 and 2023 amounted to P29,000,000.

On May 25, 2022, the Company's BOD declared cash dividends of P6,500,000 or P260 per share based on shareholders of record as at December 31, 2021 and is payable on or before December 31, 2023. On March 13, 2023, the Company's BOD amended a portion of its resolutions dated May 25, 2022, regarding cash dividend declaration, that instead of payable on or before December 31, 2023, it shall be payable on or before December 31, 2024. Outstanding balance as at December 31, 2024 and 2023 amounted to P6,500,000.

On December 20, 2024, the Company's BOD amended the terms of payment of dividends payable to High Everest Capital, Inc. by way of periodic remittances in the amount of P100,000 to commence in June 2025 until December 31, 2035.

Dividends payable amounted to P59,250,796 as at December 31, 2024 (2023 - P85,146,671) (Note 9).

13 Revenue

The Company generates its revenues primarily from the sale of pharmaceutical products and medical devices. These products are distributed to hospitals, clinics, and other healthcare institutions across the country.

The Company's disaggregated revenue from contracts with customers for the years ended December 31 are as follows:

	2024	2023
Hospitals	460,928,142	409,438,611
Retailers	95,491,703	71,198,758
Distributors	24,521,693	26,306,704
Individuals	25,155,087	10,554,198
	606,096,625	517,498,271
Sales discounts	(13,586,741)	(9,922,654)
	592,509,884	507,575,617

The Company has determined that disaggregation of revenue using the above segments and the timing of the transfer of goods at a point in time are adequate for the circumstances.

14 Cost of sales

Cost of sales for the years ended December 31 consist of:

	Notes	2024	2023
Beginning inventory	4	143,619,139	101,868,997
Add: net purchases		236,056,866	231,334,504
Inventory available for sale		379,676,005	333,203,501
Ending inventories	4	(154,443,920)	(143,619,139)
Cost of sales		225,232,085	189,584,362
Provision for inventory obsolescence		2,206,698	8,372,644
		227,438,783	197,957,006

15 Selling expenses

Selling expenses for the years ended December 31 consist of:

	Notes	2024	2023
Salaries and allowances		99,906,264	81,389,416
Marketing expenses		47,719,621	28,488,147
Transportation and travel		20,958,101	15,697,405
Depreciation and amortization	7,8,20	17,360,737	12,591,293
Training and seminars		6,126,532	4,321,395
Delivery and handling		4,316,608	1,910,775
Representation		2,681,058	3,606,806
Retirement benefit expense	18	1,958,862	2,316,671
Communication		1,942,838	1,541,501
Others		1,730,661	959,668
		204,701,282	152,823,077

16 Administrative expenses

Administrative expenses for the years ended December 31 consist of:

	Notes	2024	2023
Salaries and allowances		42,868,493	39,207,272
Depreciation and amortization	7,8,20	14,339,090	12,002,738
Office supplies		8,394,460	6,010,007
Insurance		8,060,364	7,162,504
Professional fees		6,749,424	6,617,003
Outside services		6,737,904	6,425,410
Taxes and licenses		6,534,447	4,722,482
Repairs and maintenance		5,628,218	4,610,832
Transportation and travel		5,518,687	6,497,585
Utilities		4,340,012	3,266,743
Dues and subscription		3,297,225	3,361,223
Training and seminars		3,206,372	3,124,326
Input tax expense		2,529,888	8,530,030
Communication		2,014,789	1,726,927
Rent		1,761,545	3,528,447
Retirement benefit expense	18	1,641,938	1,941,191
Delivery and handling		278,544	1,292,878
Provision for credit losses	3	83,569	483,362
Others		6,486,385	4,501,703
		130,471,354	125,012,663

Others for the years ended December 31, 2024 and 2023 mainly consist of bank service charges and miscellaneous expenses on pantry supplies.

17 Other income, net

Other income, net for the years ended December 31 consist of:

	Note	2024	2023
Proceeds from insurance		8,318,160	-
Service fee income	11	3,027,248	3,028,963
Gain on sale of property and equipment	7	1,461,980	839,286
Interest income	2	360	9,168
Foreign exchange loss, net		(62,745)	(725,255)
Others		816,215	663,333
		13,561,218	3,815,495

18 Retirement benefit obligation

The Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The Company recognizes an amount of retirement benefits equal to 100% of plan salary for every year of credited service. Actuarial valuation is performed by independent actuary on an annual basis. The latest actuarial valuation report is as at December 31, 2024.

Movements in the retirement benefit obligation recognized in the statement of financial position as at December 31 are as follows:

	Notes	2024	2023
Beginning of the year		19,753,724	16,645,340
Retirement benefit expense recognized in profit or loss	15,16	3,600,800	4,257,862
Remeasurement gain recognized in other comprehensive income (OCI)		(2,243,803)	(1,149,478)
End of the year		21,110,721	19,753,724

The components of retirement benefit expense recognized in profit or loss for the years ended December 31 are as follows:

	2024	2023
Current service cost	2,407,675	2,248,713
Interest expense	1,193,125	1,228,530
Past service cost - plan amendment	-	780,619
	3,600,800	4,257,862

Retirement benefit expense for the years ended December 31 is presented in the statements of total comprehensive income as follows:

	Notes	2024	2023
Selling expenses	15	1,958,862	2,316,671
Administrative expenses	16	1,641,938	1,941,191
		3,600,800	4,257,862

The components of remeasurements on retirement benefits recognized in other comprehensive income for the years ended December 31 are as follows:

	Note	2024	2023
Gain arising from changes in financial assumptions		2,243,803	1,149,478
Deferred income tax	19	(560,950)	(287,370)
End of year		1,682,853	862,108

The movements in the remeasurement reserve on retirement benefits recognized in the statement of financial position at December 31 are as follows:

	2024	2023
Beginning of the year	40,032	(822,076)
Remeasurement gain, net of tax	1,682,853	862,108
End of the year	1,722,885	40,032

The principal assumptions used as at December 31 are as follows:

	2024	2023
Future salary increase rate	6.11%	6.04%
Discount rate	6.00%	6.00%

Discount rate

The discount rate is determined by reference to the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market yields on benchmark government bonds) by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, and considering the average years of remaining working life of the employees as at the estimated term of the benefit obligation.

Future salary increase rate

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in the Philippines. Another factor considered in the valuation is the proportion of employees under the plan who will resign prior to their retirement age (turnover rate). Turnover rate has been based on historical experiences.

Critical accounting estimate - Principal assumptions and estimation of retirement benefit obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement include the discount rate, and future salary increases. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as follow:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
<i>December 31, 2024</i>			
Discount rate	+/-100 bps	(1,038,738)	1,170,501
Salary increase rate	+/-100 bps	1,160,148	(1,049,089)
<i>December 31, 2023</i>			
Discount rate	+/-100 bps	(911,132)	1,103,613
Salary increase rate	+/-100 bps	1,093,158	(1,001,102)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

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

	2024	2023
More than 1 year to 5 years	17,890,408	15,044,940
More than 5 years to 10 years	12,303,442	14,524,847
	30,193,850	29,569,787

The weighted average duration of the defined benefit obligation as at December 31, 2024 and 2023 is 10 years.

19 Income taxes

The components of provision for income tax follow:

	2024	2023
Current income tax expense	1,863,295	7,291,309
Deferred income tax expense (benefit)	1,444,908	(3,291,767)
	3,308,203	3,999,542

Current tax regulations provide that the RCIT rate shall be 25.00%. Current tax regulations also provide for a MCIT of 2% on modified gross income and allow a NOLCO. The MCIT is imposed on the fourth taxable year from commencement of the Company's business operations. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

On March 26, 2021, Republic Act No. 11534, also known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, was enacted into law. One of its key provisions set the Minimum Corporate Income Tax (MCIT) rate at 1% for the period from July 1, 2020, to June 30, 2023. Effective July 1, 2023, the MCIT rate reverted to its previous rate of 2%.

Deferred income tax (DIT) asset as at December 31 consist of the tax effect of the following temporary differences:

	2024	2023
<i>DIT assets</i>		
Allowance for impairment of trade receivables	8,119,238	8,287,355
Excess of MCIT over RCIT	5,709,350	-
Retirement benefit obligation	5,277,680	4,938,431
Leases	251,460	448,306
Allowance for inventory obsolescence	123,825	2,093,161
<i>DIT liability</i>		
Unrealized foreign exchange gain	(12,877)	(2,069)
	19,468,676	15,765,184

The realization of the future tax benefit related to the deferred tax asset is dependent on the Company's ability to generate future taxable income.

Management has considered these factors in reaching a conclusion to recognize DIT assets in the statements of financial position at December 31, 2024 and 2023.

Movements in the DIT assets for the years ended December 31 are as follows:

	Note	2024	2023
At January 1		15,765,184	12,760,787
(Charged) credited to profit or loss		(1,444,908)	3,291,767
Charged to other comprehensive income	18	(560,950)	(287,370)
Excess of MCIT over RCIT		5,709,350	-
At December 31		19,468,676	15,765,184

The reconciliation between income tax expense at the statutory rate and the actual income tax benefit presented in profit or loss for the years ended December 31 are as follows:

	2024	2023
Income before income tax	11,168,022	14,152,574
Statutory tax rate	25%	25%
At statutory tax rate	2,792,006	3,538,144
Adjustments to income tax:		
Non-deductible expenses	516,287	461,856
Interest income subject to final tax	(90)	(458)
	3,308,203	3,999,542

Critical accounting judgment - Recoverability of DIT assets

The Company recognizes DIT assets to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Determining the realizability of DIT assets requires the assessment of the availability of taxable profit expected to be generated from the operations against which the DIT assets can be applied.

Further, significant judgment is required in determining the income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Company recognizes liabilities based on careful evaluation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's current and deferred tax provisions in the period in which such determination is made.

Management has considered these factors in reaching a conclusion as to the amount of DIT assets recognized as at the reporting dates.

20 Lease agreement

The Company leases warehouses and transportation equipment for its operations.

Lease of transportation equipment

The Company entered into various lease arrangements covering its transportation equipment for periods of one to five years with interest rate ranging from 10.48% to 13.03% in 2024 and 2023. Ownership of the assets will be transferred to the Company at the end of the lease term.

Lease of warehouse

The Company has an existing lease agreement for its warehouses and pharmacies in various locations for a period of one to three years, renewable upon mutual agreement by both parties.

Further, the Company has short-term lease of depots in various locations with remaining period of less than 12 months, renewable upon mutual agreement of both parties. The Company has prepaid rent amounting to P495,463 as at December 31, 2024 (2023 - P437,963) (Note 5). The Company applied the short-term lease exemption in PFRS 16 to this lease agreement.

Security deposits relating to this lease agreement amounted to P1,594,208 as at December 31, 2024 (2023 - P1,386,559) (Note 5).

i. Amounts recognized in the statements of financial position

Right-of-use assets

Movements in right-of-use assets as at are presented below:

	Building and improvements	Transportation equipment and medical devices	Total
At January 1, 2023			
Cost	12,859,396	26,488,979	39,348,375
Accumulated depreciation	(5,756,681)	(10,243,608)	(16,000,289)
Net carrying amount	7,102,715	16,245,371	23,348,086
For the year ended December 31, 2023			
Opening net book value	7,102,715	16,245,371	23,348,086
Additions	3,899,011	10,774,344	14,673,355
Disposals			
Cost	(849,707)	(16,692,375)	(17,542,082)
Accumulated amortization	849,707	8,217,810	9,067,517
Amortization	(4,273,698)	(5,110,481)	(9,384,179)
Net book value	6,728,028	13,434,669	20,162,695
At December 31, 2023			
Cost	15,908,700	20,570,948	36,479,648
Accumulated depreciation	(9,180,672)	(7,136,279)	(16,316,951)
Net book value	6,728,028	13,434,669	20,162,697
For the year ended December 31, 2024			
Opening net book value	6,728,028	13,434,669	20,162,697
Additions	18,635,468	8,439,557	27,075,025
Disposals			
Cost	(9,931,196)	(3,776,070)	(13,707,266)
Accumulated amortization	9,234,432	3,765,246	12,999,678
Amortization	(5,147,059)	(7,995,272)	(13,142,331)
Net book value	19,519,673	13,868,130	33,387,803
At December 31, 2024			
Cost	24,612,972	25,234,435	49,847,407
Accumulated depreciation	(5,093,299)	(11,366,305)	(16,459,604)
Net book value	19,519,673	13,868,130	33,387,803

On January 1, 2023, the Company pre-terminated a lease arrangement covering its medical equipment with maturity of 3 years. As of the termination date, the net book value of the right-of-use assets and lease liability are P8,474,565 and P9,264,333, respectively. The remaining balance of the lease liability was transferred to a local bank as an equipment loan, which bears 8.4% interest rate and is payable in equal monthly installment over 22 months from January 14, 2023 to October 14, 2024.

On July 15, 2024, the Company pre-terminated a lease arrangement covering one of its pharmacies with maturity of 5 years. As of the termination date, the net book value of the right-of-use assets and lease liability are P707,588 and P1,301,706, respectively. The difference between the net book value of the right-of-use assets and the remaining lease liability amounting to P594,118 was present as part of other income (Note 17).

Lease liabilities

Details of lease liabilities as at December 31 are as follows:

	2024	2023
Current	12,743,051	9,804,373
Non-current	21,650,591	11,124,965
	34,393,642	20,929,338

The movement of lease liabilities for the years ended December 31 are as follows:

	Note	2024	2023
As at January 1		20,929,338	24,699,770
Additions		27,075,025	14,673,355
Interest expense		1,999,022	1,335,039
Pre-termination		(1,301,706)	(9,264,333)
Payments	21	(14,308,037)	(10,514,493)
As December 31		34,393,642	20,929,338

ii. Amounts recognized in the statements of total comprehensive income

The statements of total comprehensive income show the following amounts relating to leases as at December 31:

	Note	2024	2023
Depreciation expense of right-of-use assets		13,142,331	9,384,179
Interest expense on lease liabilities		1,999,022	1,335,039
Expense relating to short term leases	16	1,761,545	3,658,670
		16,902,898	14,377,888

Discount rate

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Critical accounting estimate - Determination of incremental borrowing rate

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Company uses the government bond yield, adjusted for the (1) credit spread specific to the Company and (2) security using the right-of-use assets.

Critical accounting judgment - Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Future minimum lease payments under lease liabilities and the net present value of the minimum lease payments as at December 31 follows:

	2024	2023
Not later than 1 year	14,665,046	11,283,136
Later than 1 year but not more than five years	26,158,449	13,441,288
	40,823,495	24,724,424
Future finance charges	6,429,853	3,795,086
	34,393,642	20,929,338

The present value of lease liabilities at December 31 is as follows:

	2024	2023
Not later than 1 year	12,743,051	9,804,373
Later than 1 year but not more than five years	21,650,591	11,124,965
	34,393,642	20,929,338

21 Notes to the statement of cash flows

The table below provides the changes in liabilities arising from financing activities:

	Beginning Balance	Proceeds/ additions	Payments	Interest expense	Reclassification/ non-cash items	Ending balance
<i>December 31, 2024</i>						
Short-term borrowings	168,776,386	558,426,900	(575,764,019)	-	-	151,439,267
Loans from a related party						
Current	18,000,000	17,769,000	(4,157,977)	-	-	31,611,023
Long-term loans						
Current	1,613,505	20,200,000	(4,393,751)	-	(9,746,889)	7,672,865
Non-current	574,599	-	-	-	9,746,889	10,321,488
Car loans						
Current	1,708,444	-	(4,552,749)	-	10,694,793	7,850,488
Non-current	8,382,419	-	-	-	4,369,018	12,751,437
Lease liabilities						
Current	9,804,373	-	(14,308,037)	1,999,022	15,247,693	12,743,051
Non-current	11,124,965	-	-	-	10,525,626	21,650,591
Interest payable	-	-	(30,292,638)	30,292,638	-	-
Dividends payable	85,146,671	-	(25,895,875)	-	-	59,250,796
	305,131,362	596,395,900	(659,365,046)	32,291,660	40,837,130	315,291,006

	Beginning Balance	Proceeds/ additions	Payments	Interest expense	Reclassification / non-cash items	Ending balance
<i>December 31, 2023</i>						
Short-term borrowings	139,750,000	498,966,486	(469,940,100)	-	-	168,776,386
Loans from a related party						
Current	-	18,000,000	-	-	-	18,000,000
Long-term loans						
Current	3,569,884	-	(5,188,998)	-	3,232,619	1,613,505
Non-current	3,807,219	-	-	-	(3,232,619)	574,600
Car loans						
Current	-	-	(658,737)	-	2,367,181	1,708,444
Non-current	-	-	-	-	8,382,419	8,382,419
Lease liabilities						
Current	12,358,393	-	-	-	(2,554,020)	9,804,373
Non-current	12,341,377	-	(10,514,493)	1,335,039	7,963,042	11,124,965
Interest payable	-	-	(20,110,753)	20,110,753	-	-
Dividends payable	100,579,679	-	(15,433,008)	-	-	85,146,671
	272,406,552	516,966,486	(521,846,089)	21,445,792	16,158,622	305,131,363

22 Critical accounting estimates, assumptions and judgments

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

22.1 Critical accounting estimates

- *Expected credit losses (ECL) on trade and other receivables (Note 3)*
- *Provision for inventory obsolescence (Note 4)*
- *Useful lives of property and equipment (Note 7)*
- *Principal assumptions and estimation of retirement benefit obligation (Note 18)*
- *Determining incremental borrowing rate (Note 20)*

22.2 Critical judgments in applying the Company's accounting policies

- *Impairment of property and equipment (Note 7)*
- *Recoverability of DIT assets (Note 19)*
- *Determination of the lease term (Note 20)*

23 Financial risk and capital management

23.1 Financial risk management

The Company's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks.

The Company's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Company's financial performance.

The most important types of risk the Company manages are credit risk, market risk and liquidity risk. Market risk includes foreign exchange risk, interest risk and price risk.

The Company has no significant financial assets and liabilities exposed to fair value interest rate risk.

23.2 Components of financial asset and liabilities

Financial assets

Details of the Company's financial assets measured at amortized cost as at December 31 are as follows:

	Notes	2024	2023
Cash	2	25,982,765	32,454,160
Trade receivables, gross	3	161,449,176	170,795,102
Advances to employees	3	9,524,388	5,450,802
Due from related parties	3	66,591,677	87,172,250
Other receivables	3	8,681,243	4,558,326
Security deposits	5	1,594,207	1,386,561
		273,823,456	301,817,201

Financial liabilities

Details of the Company's financial liabilities, categorized as other liabilities carried at amortized cost, as at December 31 are as follows:

	Notes	2024	2023
Trade payables and other current liabilities	9	155,350,279	173,483,022
Due to related parties	11	12,488,995	17,035,714
Borrowings	10	221,646,568	199,055,354
Lease liabilities	20	34,393,642	20,929,338
Dividends payable	12	59,250,796	85,146,671
		483,130,280	495,650,099

Trade payables and other current liabilities as at December 31, 2024 exclude withholding tax payable and contributions payable amounting to P453,192 and P1,282,934 (2023 - P528,211 and P1,208,297), respectively (Note 9).

23.3 Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss to the Company by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Company's business, could result to losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivables and refundable deposits.

There is no significant concentration of credit risk, whether through exposure to individual counterparties or specific industry sectors, as the Company has a large number of customers.

The Company has the following financial assets as at December 31 where the expected credit loss model has been applied:

	Gross carrying amount	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
As at December 31, 2024					
Cash in banks	11,580,718	-	11,580,718	Performing	12-month ECL
Trade receivables	161,449,176	(32,476,950)	128,972,226	Performing	Lifetime ECL
Advances to employees	9,524,388	-	9,524,388	Performing	12-month ECL
Due from related parties	66,591,677	-	66,591,677	Performing	12-month ECL
Other receivables	8,681,243	-	8,681,243	Performing	12-month ECL
Security deposits	1,594,207	-	1,594,207	Performing	12-month ECL
	259,421,409	(32,476,950)	226,944,459		

	Gross carrying amount	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
As at December 31, 2023					
Cash in banks	16,431,645	-	16,431,645	Performing	12-month ECL
Trade receivables	170,795,102	(33,149,422)	137,645,680	Performing	Lifetime ECL
Advances to employees	5,450,802	-	5,450,802	Performing	12-month ECL
Due from related parties	87,172,250	-	87,172,250	Performing	12-month ECL
Other receivables	4,558,326	-	4,558,326	Performing	12-month ECL
Security deposits	1,386,561	-	1,386,561	Performing	12-month ECL
	285,794,686	(33,149,422)	252,645,264		

Cash in banks

To minimize credit risk exposure from cash in banks, the Company maintains cash deposits in reputable banks. The Company assesses that cash in banks have low credit risk considering the bank's external credit ratings as at December 31, 2024 and 2023.

The Company maintains all of its cash deposits in universal banks with strong credit ratings to minimize exposure to credit risk.

Trade receivables

The Company trades mainly with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

To measure the expected credit losses, these receivables from customers have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data. The Company has identified the inflation rate and the gross domestic product to be the most relevant factors and accordingly adjust the historical loss rates based on expected changes in these factors.

Credit quality of customers classified as performing are customers and counterparty balances without history of default and assessed to be fully recoverable.

The Company's credit risk exposure in relation to trade receivables, which are collectively assessed for impairment, as at December 31 are set out in the provision matrix as follows:

	Current	Within 30 days	31-60 days	61-90 days	Over 91 days	Total
2024						
Expected loss rates	8.04%	9.87%	14.79%	28.96%	52.37%	20.12%
Trade receivables	93,945,104	17,126,132	5,960,694	3,887,545	40,529,701	161,449,176
Loss allowance	7,553,227	1,690,547	881,297	1,125,963	21,225,916	32,476,950
2023						
Expected loss rates	9.40%	11.40%	16.46%	32.54%	52.30%	19.41%
Trade receivables	86,661,146	33,347,154	10,606,154	7,881,460	32,299,041	170,794,955
Loss allowance	8,144,442	3,801,282	1,745,545	2,564,333	16,893,820	33,149,422

Due from related parties

Due from related parties are collectible on demand and therefore, expected credit losses are based on the assumption that repayment of balances outstanding is demanded at the reporting date. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Company has assessed that the outstanding balances are exposed low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

Advances to employees and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality is further classified and assessed by reference to historical information about each of the counterparty's historical default rates. Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, the Company assessed that these are considered to have low credit risk and therefore, expected credit losses were assessed to be insignificant.

Security deposits

Security deposits are related to the lease various depots of the Company are refundable at the end of the lease term. Credit risk is further managed by transacting only with counterparties with good credit history.

23.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.

Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk arising from currency exposures, primarily with respect to the US Dollar. Foreign currency exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company has cash in banks denominated in US Dollar which are exposed to foreign currency translation risk. To manage the exposure, the Company is monitoring its foreign exchange rates to plan its transactions and maintains adequate US Dollar reserves by way of cash in its banking facilities. The Company does not enter into significant and long-term commitments and contracts denominated in foreign currency to avoid significant exposures relating to foreign currency exchange risks.

Interest rate risk

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

As at December 31, 2024 and 2023, the Company is not exposed to interest rate risk since it has no financial assets and liabilities with floating interest rate.

23.5 Liquidity risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet or settle its obligation at a reasonable price.

The Company monitors its risk to a shortage of funds through monitoring of financial assets and projected cash flows from operations. The Company's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The Company also maintains a financial strategy that the scheduled principal and interest payments are well within the Company's ability to generate cash from its business operations.

The table below presents the Company's financial liabilities at December 31 presented according to relevant maturity groupings reporting period to contractual dates:

	On demand	Up to 1 month	Up to 6 months	Over 6 months to 12 months	Beyond 1 year	Total
2024						
Trade payables and other current liabilities	155,350,269	-	-	-	-	155,350,269
Due to related parties	12,488,995	-	-	-	-	12,488,995
Borrowings and future interests	-	86,570,748	105,095,908	22,409,134	15,428,389	229,504,179
Lease liabilities and future interests	-	-	-	14,665,046	26,158,449	40,823,495
Dividends payable	10,748,782	-	-	600,000	47,902,014	59,250,796
	<u>178,588,046</u>	<u>86,570,748</u>	<u>105,095,908</u>	<u>37,674,180</u>	<u>89,488,852</u>	<u>497,417,734</u>
2023						
Trade payables and other current liabilities	173,483,022	-	-	-	-	173,483,022
Due to related parties	15,503,110	-	-	-	1,532,604	17,035,714
Borrowings and future interests	186,370,208	-	-	4,773,293	10,105,762	202,249,463
Lease liabilities and future interests	-	-	-	4,892,894	19,831,530	24,724,424
Dividends payable	56,146,671	-	-	-	29,000,000	85,146,671
	<u>431,503,011</u>	<u>-</u>	<u>-</u>	<u>9,666,187</u>	<u>60,469,896</u>	<u>506,541,571</u>

23.6 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholders and to maintain an optimal capital structure to reduce the cost of capital and increase value of shareholders' investment.

The Company considers its equity as its capital. Total capital being managed by the Company as at December 31, consists of:

	Note	2024	2023
Share capital	12	10,000,000	10,000,000
Retained earnings	12	80,261,411	72,401,591
		<u>90,261,411</u>	<u>82,401,591</u>

There are no externally imposed capital requirements.

24 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been consistently applied in these financial statements.

24.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards;
- PAS Standards; and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy and adopted by the Securities and Exchange Commission (SEC).

These financial statements are prepared as the Company's separate financial statements. The Company and its subsidiaries do not present consolidated financial statements because they are included in the consolidated financial statements of its ultimate parent company, DLX Holdings, Inc., prepared in accordance with PFRS Accounting Standards. The consolidated financial statements may be obtained from the ultimate parent company's registered place of business at Mezzanine floor LJP Suites 189, Mindanao Ave. Brgy. Bahay Toro, Quezon City. In consideration of Philippine Interpretations Committee Q&A No. 2006-02 (Amended by PIC Q&A No. 2013-02 and PIC Q&A No. 2017-01) and as allowed under paragraph 4 of PFRS 10, Consolidated Financial Statements, a parent that is in itself a controlled subsidiary and that meets certain requirements need not present consolidated financial statements.

These financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 22.

Changes in accounting policies and disclosure

(a) New standards, amendments and interpretations adopted by the company

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to PFRS Accounting Standards which became effective as at January 1, 2024. Except otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial statements of the Company:

- Amendments to PAS 1, *Presentation of Financial Statements – Non-current liabilities with covenants*.

The amendments clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments have no significant impact on the Company's separate financial statements.

(b) New standards, amendments and interpretations not yet adopted

There are amendments to existing standards effective for annual periods subsequent to December 31, 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Company's financial statements:

- PFRS 18, *Presentation and disclosure in financial statements*

PFRS 18 will replace PAS 1, Presentation and disclosure in financial statements, specifically:

- a. Entities are required to classify all income and expenses into five categories in the statement of profit or loss as operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present newly defined operating profit subtotal.
- b. Management defined performance measures are disclosed in a single note in the financial statements.
- c. Enhanced guidance on how to group information in the financial statements.

- d. Entities are required to use operating profit subtotal as the starting point for the Statements of Cash Flows presented using the indirect method.

The application is effective for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company expects to update the structure of the financial statements to comply with the standard.

- PFRS 19, '*Subsidiaries without Public Accountability: Disclosures*'

This new standard works alongside other PFRS Accounting Standards. An eligible subsidiary applies the requirements in other PFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in PFRS 19. PFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. PFRS 19 is a voluntary standard for eligible subsidiaries.

There are no other standards, amendments and interpretations which are effective for the financial year beginning January 1, 2024, that are relevant to and have a material impact on the Company's financial statements.

24.2 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories: (a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and (b) those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

As at December 31, 2024 and 2023, the Company has no financial assets measured at fair value is not material.

The Company's financial assets at amortized cost are presented in Note 23.2.

Recognition and subsequent measurement

The Company recognizes a financial asset in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented within operating expenses in the statement of total comprehensive income.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

General approach

The Company applies the general approach to provide for ECLs on due from a related party. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

Definition of default

The Company classifies a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than ninety (90) days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk (SICR) is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified day past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Company shall revert to recognizing a 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

Measurement of ECLs

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derecognition

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

- the rights to receive cash flows from the asset have expired; or
- 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 the risk and rewards of the asset but has transferred the control of the asset.

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

24.3 Financial liabilities

Classification

The Company classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (ii) other financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

As at December 31, 2024 and 2023, the Company has no financial liabilities measured at fair value through profit or loss.

Financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting period which are classified as non-current liabilities.

The Company's financial liabilities at amortized cost are presented in Note 23.2.

Recognition

Other financial liabilities at amortized cost are recognized in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Measurement

The Company's financial liabilities are initially measured at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate method.

Derecognition

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged, is cancelled, expires, there is a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) resulting to extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

24.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Company did not enter into any legally enforceable master netting agreements or other similar arrangements that would require offsetting of financial assets and liabilities as at December 31, 2024 and 2023.

24.5 Determination of fair value

The Company measures financial instruments at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

24.6 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). The cost of inventories is determined using first-in first-out method. Inventories in transit are valued at invoice cost including related importation costs. The cost of inventories does not include borrowing costs. NRV is the estimated selling price in the ordinary course of business, less applicable variable selling and distribution expenses. An allowance for inventory losses and obsolescence is provided, when necessary, based on management's review of inventory turnover and demand on the Company's inventories.

Provision for inventory losses is established for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation. Inventories and its related provision for impairment are written off when the Company has determined that the related inventory is already obsolete and damaged. Write offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited against the provision account in profit or loss based on the result of management's update assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Inventories are derecognized when sold, written-off or otherwise disposed of.

24.7 Prepayments and other non-financial assets

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Advances to suppliers represent advance payments to suppliers relating to importation of goods purchased that require certain percentage of down payments and advance payments to a service provider for services to be received in the future. These are recognized at fair value, which approximate the suppliers' invoice amounts, and subsequently capitalized as inventories or property and equipment when the related goods or equipment have been delivered.

Other assets in the form of excess income tax credits and input VAT are utilized when there is a legally enforceable right to offset the recognized amounts against income tax and output VAT obligations and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Prepayments and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than 12 months after the reporting period which are classified as non-current assets.

24.8 Property and equipment

Property and equipment are stated at historical cost less related accumulated depreciation and amortization, and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Leasehold improvements are depreciated over the estimated life of the related assets or term of the lease, whichever is shorter.

Land is stated at cost less any impairment in value. Depreciation on assets is computed using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life, determined based on the Company's historical information and experience on the use of such assets, as follows:

	No. of years
Building	25 years
Leasehold improvements	3 - 5 years or term of lease, whichever is shorter
Office furniture and equipment	3 - 5 years
Transportation equipment	3 - 5 years

Major renovations are depreciated over the estimated useful life of the renovations or the remaining useful life of the related asset, whichever is sooner. The asset's residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their accumulated depreciation are removed from the accounts.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss under other income and expense account.

24.9 Intangible asset

Intangible assets are carried at cost less any accumulated amortization, and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the remaining useful economic life at the date of acquisition. These are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at the end each reporting period.

The estimated useful life at the date of acquisition of the intangible assets is 5 years.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their accumulated amortization are removed from the accounts.

24.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risk specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately as other operating income in the statement of total comprehensive income.

24.11 Investment in subsidiaries

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity.

Investment in subsidiaries is accounted for using the cost method in the separate financial statements. Under this method, investments are recognized at cost and income from the investment is recognized only to the extent that the Company receives distributions from accumulated profits of the investee. The Company recognizes dividend income from its investment in a subsidiary in the statement of total comprehensive income when the right to receive dividends has been established.

Investment in a subsidiary is derecognized when the Company ceases to have control, or when the risk and rewards of ownership have been transferred or extinguished.

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

24.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statement of financial position.

24.13 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Firm has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Borrowing costs, not directly attributed to a qualifying asset, are recognized and charged to profit or loss in the year in which they are incurred. Borrowings are derecognized when the obligation is settled, paid or discharged.

24.14 Current and deferred income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax is provided, using the liability method, on all temporary differences and carry forward benefits of minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from the excess of MCIT over regular corporate income tax (RCIT) and unused NOLCO, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry forward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income 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 income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods 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 reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rate are charged or credited to income for the year.

Deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income.

24.15 Equity

Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as 'Additional paid-in capital'. Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from proceeds, net of tax.

Retained earnings represent the accumulated profits arising from the operations of the Company, less any dividends declared.

Appropriated retained earnings pertain to the portion of the accumulated profit from operations which are restricted or reserved for a specific purpose, which include capital expenditures for expansion projects, among others, approved by the Company's BOD.

Unappropriated retained earnings pertain to the unrestricted portion of the accumulated profits from operations of the Company which are available for dividend declaration.

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's BOD.

24.16 Revenue recognition

The Company follows a five-step model to account for revenue arising from the contracts with customers. The five-step model is as follows:

- a. Identify the contract(s) with customer
- b. Identify the performance obligations in the contract
- c. Determine the transaction price
- d. Allocate the transaction price to the performance obligation
- e. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company is acting as principal in all revenue arrangements.

Sale of goods

The Company recognizes the sale of goods when control of the products has been transferred, being when the goods are delivered to the customers, the customer has full discretion over these, and there is no unfulfilled obligation that could affect the customer's acceptance of these, that is, revenue is recognized in the profit or loss at a point in time.

Payment terms are laid out in the sales order in which both the Company agents and the customer agrees the amount, discounts (if any) and other special offers or promo that can be availed off.

Service fee income

This represents the payment received by the Company in consideration of the promotional services performed relating to the products of its subsidiaries. The amount is equivalent to a certain percentage of the goods sold to wholesalers and retailers. Service fee income is recognized at the time the goods has been delivered to the customers.

Interest income

Interest income is recognized in the statement of comprehensive income as it accrues taking into account the effective yield of the assets.

Other income

Other income is recognized when earned at a period in time.

24.17 Cost and expenses

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

24.18 Leases

Company as the lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk
- leases held for entities which do not have recent third-party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

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

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Right-of-use assets that are held for rental are accounted for as investment property. The Company's right-of-use asset consisting of land and building held for rental qualify as investment property.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of service tools and equipment.

24.19 Related party relationships and transactions

Related party relationships exist 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 which 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.

24.20 Employee benefits

Retirement expense

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined pension costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements on the net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit obligation is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in Other Comprehensive Income (OCI) under 'Remeasurement gains (losses) on retirement plan' in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Short-term benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, vacation leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting period.

Bonus plans

The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

24.21 Foreign currency transactions and translation

Foreign currency-denominated assets and liabilities of the Company are translated into Philippine pesos based on the Bankers Association of the Philippines (BAP) closing rate prevailing at end of the year. Foreign currency-denominated income and expenses are translated based on the BAP weighted average rate prevailing on transaction dates. Foreign exchange gains or losses arising from foreign currency transactions and revaluation of foreign currency-denominated assets and liabilities are credited to or charged against profit or loss.

25 Supplementary information required by the Bureau of Internal Revenue (BIR)

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Company reported and/or paid the following types of taxes for the year:

i. Output VAT

Details of the Company's output VAT for the year ended December 31, 2024 follows:

	Gross amount of revenue	Output VAT declared
Sale of goods subject to 12% VAT	532,869,115	63,944,294
Sales of goods subject to Exempt VAT	65,401,020	-
Total	598,270,135	63,944,294

ii. Input VAT

Details of the Company's input VAT for the year ended December 31, 2024 follows:

Balance at beginning of the year		-
Input tax deferred on capital goods exceeding P1 million from prior year		44,825
Add: Current year's domestic purchases/payments for:		
Domestic purchases of goods other than capital goods	13,800,781	
Domestic purchases of services	9,359,720	
Importation of goods other than capital goods	17,840,853	
Purchase of capital goods	1,547,300	42,548,654
		42,593,479
Applied against output VAT	40,217,064	
Input VAT allocated to exempt sales closed to expense	2,376,415	(42,593,479)
		-

The Company is engaged in both tax exempt and VAT taxable sale of goods. The Company recognizes input tax credit to the extent that it can be directly attributed to VAT taxable sale of goods pursuant to the relevant provisions of Revenue Regulation (RR) 16-2005.

iii. Importations

The total landed cost of imports and the amount of custom duties and tariff fees paid and accrued for the year ended December 31, 2024 follow:

Landed cost of imports	147,987,535
Customs duties and tariff fees	10,338,372

iv. Excise tax

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

v. Documentary stamp tax

For the year ended December 31, 2024, the Company paid documentary stamp tax amounting to P1,935,280 on various transactions.

vi. All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2024 consist of:

Business permit	3,920,244
Registration/license fees	678,923
	4,599,167

vii. Withholding taxes

Details of withholding taxes as at and for the year ended December 31, 2024 are as follows:

	Paid	Accrued	Total
Withholding taxes on compensation	7,884,005	-	7,884,005
Expanded withholding taxes	4,337,313	512,290	4,849,603
	12,221,318	512,290	12,733,608

viii. Tax assessments and tax cases

The Company has the following Final Assessment Notices (FAN) as at December 31, 2024:

Year	Period covered	Scope	Notice Type
2019	July - December	VAT	FAN
2020	January - December	All taxes	FAN
2021	January - December	All taxes	FAN
2022	January - December	All taxes	FAN

The Company filed protests to refute the above tax assessments and is yet to receive updates from the BIR. Management, based on consultation with the Company's tax consultants, believes that the final settlement, if any, would not adversely affect the Company's financial position or results of operations.

ix. Tax cases

The Company does not have any outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2024.