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### SECURITIES AND EXCHANGE COMMISSION

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#### Company Information

**SEC Registration No.** CS201954923  
**Company Name** PHARMALLY PHARMACEUTICAL CORPORATION  
**Industry Classification** WHOLESALE OF MEDICINAL AND PHARMACEUTICAL PRODUCTS  
**Company Type** Stock Corporation

#### Document Information

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**Remarks**



Securities and Exchange Commission  
PHILIPPINES

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# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 9 5 4 9 2 3

### COMPANY NAME

P H A R M A L L Y P H A R M A C E U T I C A L C O R P O  
R A T I O N

### PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

U n i t s 8 & 9 2 2 / F o r t V i c t o r i o  
T o w e r B . 5 t h A v e . c o r . 2 3 r d S  
t . B o n i f a c i o G l o b a l C i t y , F o r t  
B o n i f a c i o , T a g u i g C i t y

Form Type

A F S

Department requiring the report

C F R D

Secondary License Type, if Applicable

### COMPANY INFORMATION

Company's Email Address

admin@pharmallyph.com

Company's Telephone Number/s

8254 1870

Mobile Number

0927 082 3555

No. of Stockholders

5

Annual Meeting  
Month/Day

June 30

Fiscal Year  
Month/Day

December 31

### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

MOHIT C. DARGANI

Email Address

mohit@pharmallyph.com

Telephone Number/s

8254 1870

Mobile Number

-

Contact Person's Address

Units 8 & 9 22/F Fort Victoria Tower B, 5th Ave. cor. 23rd St. Bonifacio Global City, Fort Bonifacio, Taguig City

Note: 1) In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2) All forms must be properly and completely filled up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and / or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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# PHARMALLY PHARMACEUTICAL CORPORATION

Unit 8 & 9 22<sup>nd</sup> Floor Fort Victoria Tower B, 5<sup>th</sup> Ave. cor. 23<sup>rd</sup> St., BGC, Fort Bonifacio, Taguig City  
 T: +63-2-8254-1870 E: admin@pharmallyph.com

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of PHARMALLY PHARMACEUTICAL CORPORATION (or the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the period September 04, 2019 (Incorporation Date) to December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Huminada A. Sebial, the independent auditor appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**TWINKLE D. DARGANI**  
 Chairman / President

  
**MOHIT C. DARGANI**  
 Treasurer



Securities and  
Exchange



Signed this 1st of March, 2021

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# ILUMINADA A. SEBIAL

Certified Public Accountant  
2335 Angeles St. Ext. Fortune Village 1 Valenzuela City  
TIN: 138-513-101-000

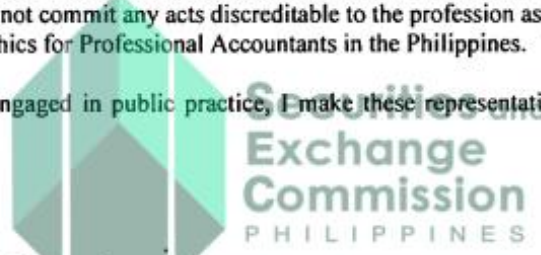
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## TO THE SECURITIES AND EXCHANGE COMMISSION

In connection with my examination of the financial statements of PHARMALLY PHARMACEUTICAL CORPORATION, which are to be submitted to the Commission, I hereby represent the following:

1. That said financial statements are presented in accordance with Philippine Financial Reporting Standards in all cases where I shall express an unqualified opinion; except that in case of any departure from such standards, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the standards would result in a misleading statement, if such is a fact;
2. That I shall fully meet the requirements of independence as provided under the Code of Ethics for Professional Accountants in the Philippines;
3. That in the conduct of the audit, I shall comply with Philippine Standards on Auditing promulgated by the Auditing Standards and Practices Council; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion; and,
4. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under Code of Ethics for Professional Accountants in the Philippines.

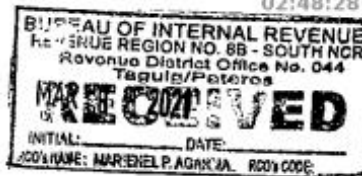
As a CPA engaged in public practice, I make these representations in my individual capacity.



*Iluminada A. Sebial*  
 ILUMINADA A. SEBIAL  
 Certified Public Accountant  
 CPA Cert. No. 0038098  
 BOA No. 3949 (Valid until November 29, 2022)  
 BIR AN 05-005865-001-2019 (12/11/2019 – 12/11/2022)  
 PTR NO. VC7000101 (January 04, 2021)  
 P.R.C. ID – Valid until Nov. 29, 2023

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March 1, 2021

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### ILUMINADA A. SEBIAL

Certified Public Accountant  
2335 Angeles St. Ext. Fortune Village 1 Valenzuela City  
TIN: 138-513-101-000

#### INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors  
PHARMALLY PHARMACEUTICAL CORPORATION  
Unit 8 & 9, 22F Fort Victoria Tower B, 5<sup>th</sup> Ave  
Cor 23<sup>rd</sup> St., Fort Bonifacio  
Taguig, City

I have audited the accompanying financial statements of PHARMALLY PHARMACEUTICAL CORPORATION. as at December 31, 2020 and for the year then ended, on which I have rendered the attached report dated March 1, 2021.

In compliance with Securities Regulation Code Rule No. 68, I am stating that the above Company has five (5) stockholders owning more than one hundred (100) shares.

Illuminada A. Sebial

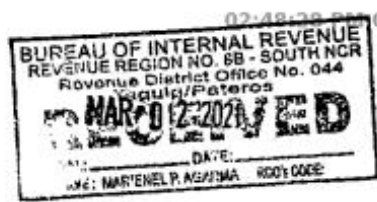
*Illuminada A. Sebial*  
ILUMINADA A. SEBIAL  
Certified Public Accountant  
CPA Cert. No. 0038098  
BOA No. 3949 (Valid until November 29, 2022)  
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P.R.C. ID – Valid until Nov. 29, 2023  
March 1, 2021



Securities and  
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Commission  
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PHARMALLY PHARMACEUTICAL CORPORATION

Financial Statements  
December 31, 2020  
And Year Ended December 31, 2020  
(With Comparative Figures for 2019)

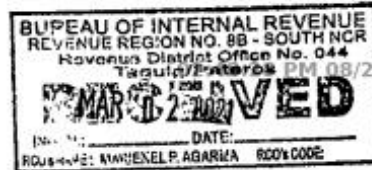
and

Independent Auditor's Report

Huminada A. Sebial



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**INDEPENDENT AUDITOR'S REPORT**

The Shareholders and the Board of Directors  
PHARMALLY PHARMACEUTICAL CORPORATION  
Units 8 & 9 22/F  
Fort Victoria Tower B  
5<sup>th</sup> Ave. cor. 23<sup>rd</sup> St.  
Fort Bonifacio, Taguig City

**Report on the Audit of the Financial Statements**

**Opinion**

I have audited the accompanying financial statements of PHARMALLY PHARMACEUTICAL CORPORATION (the Company), which comprise the statement of financial position as at December 31, 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements of PHARMALLY PHARMACEUTICAL CORPORATION as at and for the year ended December 31, 2019, which were presented for comparative purposes, were audited by another auditor whose report thereon dated March 14, 2020 expressed an unqualified opinion on those statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards for Small and Medium-Sized Entities (PFRS for SMEs).

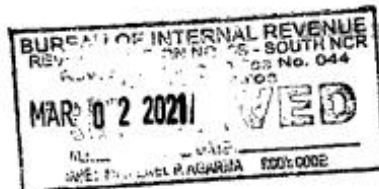
**Basis for Opinion**

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

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

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

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

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

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

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

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

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

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

**Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PHARMALLY PHARMACEUTICAL CORPORATION. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

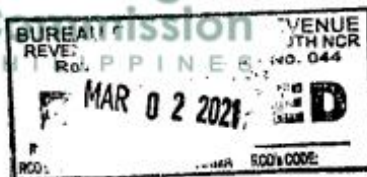
Iluminada A. Sebial

*Iluminada A. Sebial*  
ILUMINADA A. SEBIAL  
Certified Public Accountant  
CPA Cert. No. 0038098  
BOA No. 3949 (Valid until November 29, 2022)  
BIR AN 05-005865-001-2019 (12/11/2019 – 12/11/2022)  
PTR NO. VC7000101 (January 04, 2021)  
P.R.C. ID – Valid until Nov. 29, 2023

March 1, 2021



Securities and Exchange Commission



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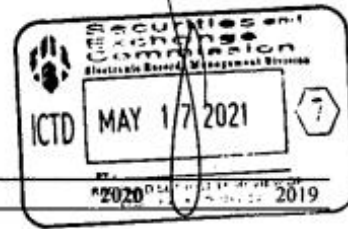
**PHARMALLY PHARMACEUTICAL CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2020**

**With Comparative Figures for 2019**

*(Amounts in Philippine Peso)*



**ASSETS**

**Current Assets**

Cash (Note 5)	P44,899,366	P599,450
Trade and other receivables (Note 6)	103,188,397	—
Inventory (Note 7)	121,435,069	—
Other current assets (Note 8)	2,297,041	—
<b>Total Current Assets</b>	<b>271,819,873</b>	<b>599,450</b>

**Noncurrent Asset**

Property and equipment - net (Note 9)	13,068,010	—
	<b>P284,887,883</b>	<b>P599,450</b>

**LIABILITIES AND EQUITY**

**Current Liability**

Trade and other payables (Note 10)	P1,748,879	P—
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**Noncurrent Liability**

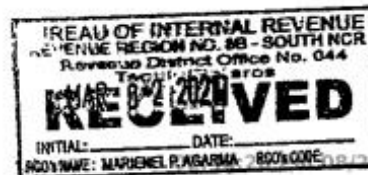
Deferred tax liability (Note 16)	17,888,078	—
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<b>Equity</b>	<b>265,250,926</b>	<b>599,450</b>
	<b>P284,887,883</b>	<b>P599,450</b>

*See accompanying Notes to Financial Statements.*



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**PHARMALLY PHARMACEUTICAL CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**With Comparative Figures for 2019\***  
*(Amounts in Philippine Peso)*

	2020	2019
<b>SALES</b>	<b>₱7,485,401,046</b>	P-
<b>COST OF SALES</b> (Note 12)	<b>7,092,274,180</b>	-
<b>GROSS PROFIT (LOSS)</b>	<b>393,126,866</b>	-
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 13)	<b>(42,134,866)</b>	(25,550)
<b>OTHER INCOME (EXPENSES) - net:</b> (Note 14)	<b>27,048,684</b>	-
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>378,040,684</b>	(25,550)
<b>PROVISION FOR INCOME TAX</b> (Note 15)	<b>113,389,208</b>	-
<b>NET INCOME (LOSS)</b>	<b>₱264,651,476</b>	(₱25,550)

*See accompanying Notes to Financial Statements.*

*\*The Company was registered with the Philippine Securities and Exchange Commission on September 4, 2019.*



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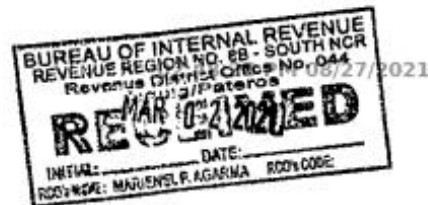
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**PHARMALLY PHARMACEUTICAL CORPORATION****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2020****With Comparative Figures for 2019\****(Amounts in Philippine Peso)*

	Share Capital (Note 11)	Retained Earnings (Deficit) (Note 11)	Total
<b>As at January 1, 2020</b>	<b>P625,000</b>	<b>(P25,550)</b>	<b>P599,450</b>
Net income	—	264,651,476	264,651,476
<b>As at December 31, 2020</b>	<b>P625,000</b>	<b>P264,625,926</b>	<b>P265,250,926</b>
<b>As at September 4, 2019</b>	<b>P—</b>	<b>P—</b>	<b>P—</b>
Issuance of shares	625,000	—	625,000
Net loss	—	(25,550)	(25,550)
<b>As at December 31, 2019</b>	<b>P625,000</b>	<b>(P25,550)</b>	<b>P599,450</b>

*See accompanying Notes to Financial Statements.**\*The Company was registered with the Philippine Securities and Exchange Commission on September 4, 2019.*

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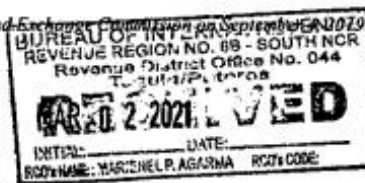
**PHARMALLY PHARMACEUTICAL CORPORATION****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2020****With Comparative Figures for 2019\****(Amounts in Philippine Peso)*

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	P378,040,684	(P25,550)
Adjustments for:		
Depreciation (Note 13)	899,852	—
Interest income (Note 5)	(76,657)	—
Unrealized foreign exchange gains - net (Note 14)	(63,232,031)	—
Interest expense (Note 14)	1,687,983	—
Operating income (loss) before working capital changes	317,319,831	(25,550)
Decrease in:		
Trade and other receivables (Note 6)	(103,188,396)	—
Inventory (Note 7)	(121,435,069)	—
Other current assets (Note 8)	(2,297,041)	—
Increase in trade and other payables (Note 10)	61,375,807	—
Net cash provided by (used in) operations	151,775,132	(25,550)
Income tax paid	(95,501,130)	—
Net cash flows generated from (used in) operating activities	56,274,002	(25,550)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment (Note 9)	(13,967,862)	—
Interest received (Note 5)	76,657	—
Net cash flows used in investing activities	(13,891,205)	—
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of shares (Note 11)	—	625,000
Interest payment on loans	(1,687,983)	—
Net cash flows provided by financing activities	(1,687,983)	625,000
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		
	3,605,102	—
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>44,299,916</b>	<b>599,450</b>
<b>CASH BALANCE, BEGINNING OF THE YEAR</b>	<b>599,450</b>	<b>—</b>
<b>CASH AT END OF YEAR</b>	<b>P44,899,366</b>	<b>P599,450</b>

See accompanying Notes to Financial Statements.  
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\*The Company was registered with the Philippine Securities and Exchange Commission on September 2019



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## PHARMALLY PHARMACEUTICAL CORPORATION

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Organization and Business

PHARMALLY PHARMACEUTICAL CORPORATION (the Company), is a corporation organized under the laws of the Republic of the Philippines. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2019, with SEC registration number CS201954923. The primary purpose of the Company is to engage in selling, distributing, marketing at wholesale, insofar as permitted by law, all kinds of pharmaceutical products, including machineries and equipment, and electronic nicotine delivery systems; to enter into all kinds of contracts or the import, purchase, acquisition, sale at wholesale and other disposition for its own account as principal or representative capacity as manufacturer's representative, merchandiser broker, indent, or commission merchant, factors or agents, upon consignment of all kinds of pharmaceutical products, machineries and equipment.

The registered address of the Company is at Units 8 & 9, 22/F Fort Victoria Tower B, 5<sup>th</sup> Ave. cor. 23<sup>rd</sup> St., Bonifacio Global City, Fort Bonifacio, Taguig City.

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on March 1, 2021.

#### 2. Financial Reporting Framework

##### Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium – sized Entities (PFRS for SMEs) issued by the International Accounting Standards Board (IASB) as approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC.

##### Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with the PFRS for SMEs 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. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

##### Functional and Presentation Currency

These financial statements are presented in US Dollars, which is the Company's functional and presentation currency. All amounts are recorded in the nearest dollar, except when otherwise indicated.

#### 3. Significant Accounting Policies

##### Cash

Cash includes cash on hand and in banks.

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**Receivables**

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. At the end of each reporting period, the carrying amounts of trade receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

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

**Derecognition of Financial Assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company derecognizes the asset and recognize separately any rights and obligations retained or created in the transfer.

Any difference between the consideration received and the amounts recognized and derecognized shall be recognized in profit or loss.

**Impairment of Financial Assets Measured at Cost or Amortized Cost**

At the end of each reporting period, the Company shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company shall recognize an impairment loss in profit or loss immediately.

Objective evidence that a financial asset or group of assets is impaired includes:

- significant financial difficulty of the issuer or obligor.
- a breach of contract, such as a default or delinquency in interest or principal payments.
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider.
- it has become probable that the debtor will enter bankruptcy or other financial reorganization.
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

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For an instrument measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company shall reverse the previously recognized impairment loss either directly or adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset (net of allowance account) that exceeds what the carrying amount would have been had the impairment not previously recognized. The Company shall recognize the amount of reversal in profit or loss immediately.

**Inventory**

Inventory is stated at the lower of cost and estimated selling price less costs to complete and sell. Cost include purchase price, cost of conversion and other related cost incurred in bringing the inventory to its present location and condition.

The cost of inventory comprises of merchandise inventory for resale. At each reporting date, inventory is assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in profit or loss.

When the circumstances that previously caused inventory to be impaired no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell because of changed economic circumstances, a reversal of the impairment is recognized so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell. Any impairment reversal in recognized in profit or loss but is limited to the amount of the original impairment loss recognized.

When inventory is sold, the carrying amount of the inventory is recognized as an expense in the period in which the related revenue is recognized.

**Property and Equipment**

Property and equipment are initially measured at cost. Cost includes purchase price, taxes, installation and estimated dismantling cost. At the end of each reporting period, items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Major spare parts and stand-by equipment qualify as property and equipment when the Company expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property and equipment, they are accounted for as property and equipment



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Estimated future dismantlement costs of items of property and equipment arising from legal or constructive obligations are recognized as part of property and equipment and are measured at present value at the time the obligation was incurred.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property and equipment:

	Number of Years
Container van	5 years
Vehicles	3 to 5 years
Computer and office equipment	1 to 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last 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.

Property and equipment is derecognized by the Company upon its disposal or when the property and equipment is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

**Impairment of Non-financial Assets Other Than Inventory**

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Non-financial assets other than inventories that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When 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 does 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.

**Payables**

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method.

## Employee Benefits

### *Short-term Benefits*

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

### *Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value. The Company has not accrued any termination benefits during the year.

### *Retirement Benefit Obligation*

The Company has no formal retirement plan for its qualified employees. For purposes of determining its costs and obligation, the Company considers the minimum requirement of Republic Act (RA) 7641 (the Retirement Law) of the Philippines. Under RA 7641, in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a private company, may retire and shall be entitled to retirement pay equivalent to at ½ month salary for every year of service, a fraction of at least 6 months being considered as 1 whole year. There is no retirement cost recognized during the year.

No accrual was recognized in 2020.

The term “One-half month salary” includes the following:

- (a) Fifteen days salary based on the latest salary rate;
- (b) Cash equivalent of five days or service incentive leave (or vacation leave); and
- (c) One-twelfth of the 13<sup>th</sup> month pay (where the 13<sup>th</sup> month pay is the total basic salary for the last twelve month of the service divided by twelve).

## Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities under common control with the reporting enterprise, or between and/or among the reporting enterprises and their 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.

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

## Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The costs of acquiring Company’s own shares are shown as a deduction from equity attributable to the Company’s equity holders until the shares are cancelled or reissued. Such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

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**Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

*Sale of goods*

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- a. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Company; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Interest Income*

Interest income is recognized as interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

**Cost and Expense Recognition**

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of sales are expenses incurred that are associated with the goods sold and services rendered and includes its purchase price, duties and taxes, among others. Operating expenses are costs attributable to administrative and selling activities of the Company.

**Taxes***Current Income Tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the 30% Regular Corporate Income Tax (RCIT) rate.

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**Deferred Income Tax**

A deferred tax asset or liability is recognized for tax recoverable or payable in future periods as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in: the consolidated statement of financial position and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future, except those associated with goodwill. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future and, any unused tax losses.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss, unless attributable to an item in other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which management expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Foreign Currency Transactions and Translation**

Transactions in currencies other than Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

**Events After the Reporting Date**

The Company identifies events after the end of the reporting period as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any events after the end of each reporting period that provide additional information about the Company's financial position at the end of each reporting period are reflected in the financial statements. Non-adjusting subsequent events are disclosed in the notes to the financial statements when material.

**4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

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

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

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**Key Sources of Estimation Uncertainty**

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

*Estimating Useful Lives of Assets*

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

In addition, the estimation of the useful lives of property and equipment is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets.

The carrying value of property and equipment as at December 31, 2020 amounted to ₱13,068,010, as disclosed in Note 8.

**5. Cash**

This account consists of (with comparative figures for 2019):

	2020	2019
Cash in banks	₱44,869,366	₱599,450
Cash on hand	30,000	—
	<b>₱44,899,366</b>	<b>₱—</b>

Cash in banks earns interest at the respective bank deposit rates per annum. Interest income earned amounted to ₱76,657 and nil in 2020 and 2019, respectively.

**6. Trade and Other Receivables**

This account consists of (with comparative figures for 2019):

	2020	2019
Trade receivables	₱100,175,371	₱—
Advances to suppliers	2,998,033	—
Other receivables	15,000	—
	<b>₱103,188,404</b>	<b>₱—</b>

Trade and other receivables are non-interest bearing and have an average credit period of 30 days.

Advances to officers and employees are non-interest bearing and are normally liquidated within one year.

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**7. Inventory**

This account consists of (with comparative figures for 2019):

	2020	2019
Inventory, 1 January	P—	P—
Purchases of merchandise	7,227,252,622	—
Total inventory for resale	7,227,252,622	—
Cost of merchandise sold	7,105,817,553	—
	<b>P121,435,069</b>	<b>P—</b>

There was no inventory that has been pledged as security to the Company's liabilities as at December 31, 2020 and 2019.

**8. Other Current Assets**

This account consists of (with comparative figures for 2019):

	2020	2019
Excess input tax	P1,697,077	P—
Excess tax credits	588,163	—
Others	11,801	—
	<b>P2,297,041</b>	<b>P—</b>

Excess tax credits represent the total of accumulated creditable withholding tax for the current year and prior year's excess credit over the corporate income tax due which will be applied against future income tax liabilities.

Excess input tax represents value added taxes (VAT) paid to suppliers that can be claimed as credit against the Company's future VAT liabilities.



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**9. Property and Equipment**

The roll-forward analyses of this account are as follows (with comparative figures for 2019):

	2020			Total
	Motor Vehicle	Container Van	Computer Equipment	
<b>Cost</b>				
Balances at January 1	₱—	₱—	₱—	₱—
Additions	13,441,731	250,000	276,131	13,967,862
Disposal/ retirement	—	—	—	—
At December 31	13,441,731	250,000	276,131	13,967,862
<b>Accumulated Depreciation</b>				
Balances at January 1	—	—	—	—
Depreciation	874,524	8,333	16,995	899,852
Disposal/ retirement	—	—	—	—
At December 31	874,524	8,333	16,995	899,852
<b>Net book value</b>	<b>₱12,567,207</b>	<b>₱241,667</b>	<b>₱259,136</b>	<b>₱13,068,010</b>

There were no items of property and equipment that have been pledged as security to the Company's liabilities as at December 31, 2020 and 2019.

Management believes that there are no indications of impairment on the Company's property and equipment as at December 31, 2020 and 2019.

**10. Trade and Other Payables**

This account consists of (with comparative figures for 2019):

	2020	2019
Customer advances	₱1,453,305	₱—
Advances from officers and employees	78,281	—
Payable to Government	16,507	—
Accrued Expenses	200,786	—
	<b>₱1,748,879</b>	<b>₱—</b>

Accrued expenses are non-interest bearing and are normally settled within 30- to 90- day terms.

Payable to government consists of withholding taxes and other statutory payables, which are due within one year.

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**11. Share Capital**

Components of share capital are as follows (with comparative figures for 2019):

	2020	2019
<b>Authorized:</b>		
100,000 common shares at ₱100 par value	₱10,000,000	₱10,000,000
<b>Issued and fully paid:</b>		
6,250 common shares at ₱100 par value	₱625,000	₱625,000

All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends.

On December 1, 2020, the Board of Directors approved the appropriation of ₱239,000,000 for additional working capital requirements and expansion. The appropriated amount is planned to be released from retained earnings in the second half of 2021 before the annual shareholders' meeting.

**12. Cost of Sales**

This account consists of (with comparative figures for 2019):

	2020	2019
Cost of inventory	₱7,075,817,553	₱—
Freight and shipping	9,749,605	—
Duties and Taxes	6,707,022	—
	<b>₱7,092,274,180</b>	<b>₱—</b>

**13. General and Administrative Expenses**

This account consists of (with comparative figures for 2019):

	2020	2019
Donations	₱33,131,341	₱—
Salaries and wages and other benefits	1,353,737	—
Employees benefits	1,343,379	—
Professional fees	1,199,311	—
Commissions	921,026	—
Depreciation	899,852	—
Recreation and amusement	589,333	—
Brokerage	571,150	—
Travel and transportation	565,918	—
Taxes and licenses	525,127	25,550
Dues and subscription	188,486	—
Supplies	187,632	—
Postage and courier	177,660	—
Insurance	119,751	—
Miscellaneous	361,163	—
	<b>₱42,134,866</b>	<b>₱25,550</b>



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**14. Other Income (Expenses) - net**

This account consists of (with comparative figures for 2019):

	2020	2019
Foreign exchange gains – net	₱28,660,010	₱—
Interest income	76,657	—
Interest expense	(1,687,983)	—
	₱27,048,684	₱—

**15. Income Tax**

Components of income tax expense are as follows (with comparative figures for 2019):

	2020	2019
Current tax	₱95,501,130	₱—
Deferred tax	17,888,078	—
Income tax expense (benefit)	₱113,389,208	₱—

The reconciliation of the provision for income tax at the statutory tax rate and the actual current provision for income tax follows (with comparative figures for 2019):

	2020	2019
Provision for income tax at the statutory income tax rate	₱113,412,205	₱—
Income tax effects of:		
Unrealized foreign exchange gains	(17,888,078)	—
Interest income subjected to final tax	(22,997)	—
	₱95,501,130	₱—

Deferred tax liability recognized in 2020 pertains to unrealized foreign exchange gain.

**16. Supplementary Information required under Revenue Regulations 15-2010**

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

The following information on taxes, duties and license fees paid or accrued for the year ended December 31, 2020 is presented for purposes of compliance with the disclosure requirement by the Bureau of Internal Revenue as provided for in its RR No. 15-2010 and is not a required part of the basic financial statements in accordance with PFRS for SMEs:

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*Output VAT*

Details of the Company's Output VAT declared for the year ended December 31, 2020 are as follows:

	Vatable	Zero-rated/ Exempt	Total
Vatable	₱7,485,401,046	₱—	₱7,485,401,046
Output VAT rate	12%	—	—
	₱898,248,126	₱—	₱—

*Input VAT*

Details of the Company's input VAT claimed for the year ended December 31, 2020 are as follows:

Balance, January 1	₱—
Current year's domestic purchases/ payments for:	—
Goods for manufacture or further processing	—
Goods other than for manufacture	465,430,830
Capital goods subject to amortization	1,314,643
Capital goods not subject to amortization	—
Services lodged under cost of sales	—
Services lodged under other accounts	231,737
Total available input VAT	466,977,210
Less: Claims	465,651,954
Balance, December 31	₱1,697,077

*Withholding Taxes*

Details of the Company's withholding taxes paid or accrued for the year ended December 31, 2020 are as follows:

	Amount		Total
	Paid	Accrued	
Creditable income taxes withheld (expanded)	₱42,682	₱59,189	₱16,507
Income taxes withheld on compensation	—	—	—
Final taxes withheld	₱42,682	₱59,189	₱16,507

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*All Other Taxes and Licenses*

Details of the Company's other taxes and licenses and permit fees paid or accrued for the year ended December 31, 2020 are as follows:

	Amount
Charged to General and Administrative Expenses	
Documentary stamp tax	₱9,250
BIR Registration fee	500
<b>Total</b>	<b>₱9,750</b>

*Deficiency Tax Assessments and Tax Cases*

The Company has no open tax cases and deficiency tax assessments as at December 31, 2020.

