

# **KOLIN MARKETING, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

Kolin Marketing, Inc. (the “Company”), was incorporated and registered in the Philippines with Securities and Exchange Commission (SEC) on May 14, 1996.

The primary purposes of the Company is to engage in, conduct and carry on the business of selling, dealing in, purchase and sale, and delivery of goods, wares, merchandise and other products, including but not limited to consumer items, articles and commodities of personal and household use and consumption, goods manufactured locally or imported, and such commodities, materials, provisions, produce and articles of commerce of every kind and description.

On June 26, 2018, SEC approved the Company’s application to amend the articles of incorporation relating to the change of the principal office of the Company. The current registered principal address of the Company is located at Kolin Building No. 1854 Sta. Rita Street, Brgy. Guadalupe Nuevo, Makati City.

The financial statements of the Company for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 12, 2020. The Board of Directors is still empowered to make amendments even after the date of issue.

### **2. FINANCIAL REPORTING FRAMEWORK**

#### **Basis of Preparation**

The financial statements of the Company have been prepared on the historical cost basis, except for certain financial instruments carried either at fair value or at amortized cost. The financial statements are presented in Philippine Peso, which is the functional currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

#### **Statement of Compliance**

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). PFRS for SMEs includes interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by Financial Reporting Standard Council (FRSC) in the Philippines and adopted by the Securities and Exchange Commission (SEC).

### **3. ADOPTION OF ACCOUNTING POLICIES AND STANDARDS**

The Company has adopted the International Financial Reporting Standards for Small Medium-sized Entities (IFRS for SMEs) accounting standards (Sections 1-35), amendments and interpretations to existing standards that have been published by the International Accounting Standards Board (IASB) and issued by the Financial Reporting Standard Council (FRSC).

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

The significant accounting policies and practices of the Company are set forth to facilitate the understanding of the financial statements.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **Financial Assets**

Financial assets are recognized on the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, which do not include any investments classified at fair value through profit or loss.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The financial assets of the Company comprise of cash and trade and other receivables.

##### **Cash**

Cash includes cash in banks on savings account which earn interest at the bank deposit rates and these are deposits held at call with the bank, and petty cash fund which are being utilized to fund expenses on a day to day transaction of the Company.

Financial assets at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognized in profit or loss.

##### **Trade and other receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as trade and other receivables. These receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except short-term receivables, when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period

Short-term receivables are measured at their nominal values. Bad debts are written-off when identified.

##### **Impairment of Financial Assets**

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

If there is objective evidence that an impairment loss on trade and other receivables carried at amortized cost 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 initial recognition. The carrying amount of financial assets carried at amortized cost is reduced directly by the impairment loss. When trade receivables are considered uncollectible, these are written off directly in the statement of income. Subsequent recoveries of amounts previously written off are recognized directly in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what amortized cost would have been had the impairment not been recognized in the statement of income.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value (NRV). Cost incurred in bringing the inventories to their present location and conditions are accounted for as follows:

Inventories held for sale	-	purchase cost, freight in and other incidental cost, Determined using the weighted average method
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NRV is the estimated selling price in the ordinary course of business, less marketing and distribution. An allowance for inventory obsolescence is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation.

### **Impairment of Tangible and Intangible Assets**

At each reporting date, the Company assesses whether there is any indication that any of its assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

When an impairment loss is subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as profit.

### **Financial Liabilities**

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, which do not include any for debt instruments classified at fair value through profit or loss.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The financial liabilities of the Company include trade and other payables and due to stockholders.

### **Trade and other payables**

Trade payables are liabilities to pay goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.

Accruals are liabilities to pay goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals; however, the uncertainty is generally much less than for provisions.

Financial liabilities are derecognized by the Company when the obligation under the liability is discharged, cancelled, or expired.

### **Asset Retirement Obligations**

The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition in the normal operation of property and equipment is recognized in the period in which it is incurred. The retirement obligation is initially measured at the present value of the estimated future dismantlement or restoration cost using current borrowing rates. Subsequently, the discount is amortized as interest expense.

### **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Common 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 proceeds, net of tax.

### **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 services provided in the normal course of business.

Revenue from services is recognized based on contract service agreements with an established margin on agreed costs reasonable and necessary to provide the customers the services they need to fulfill their contract but not limited to salaries, wages, employment taxes, travel, overhead expenses and depreciation of equipment and leasehold improvements by the Company.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **Expense Recognition**

Expenses are recognized in the statement of income when a 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 the statement of income on the basis of a direct association between the costs incurred and the earning of specific items of profit; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with profit can only be generally 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, for recognition in the statement of financial position as an asset.

Expenses in the statement of income are presented using the function of expense method. Cost of services are expenses incurred that are associated with the services rendered. Operating expenses are costs attributable to administrative and marketing activities of the Company.

### **Employee Benefits**

#### **Short-term benefits**

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

### **Related Parties**

Parties are considered related if one party has control, joint control, and significant influence over the party in making financial and operating decisions. The key management personnel of the Company and post-employment benefit plans for the Company's employees are also considered to be related parties.

### **Subsequent Events**

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

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

### **Income Taxes**

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

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

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

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

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

### **Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

## **5. MANAGEMENT'S SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

### **Judgments**

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (in reference to the PFRS) requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Determining Functional Currency**

Based on economic substance of underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates, and it is the currency that mainly influences the prices of the products and services and the cost of providing such products and services.

### **Estimates**

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 easily apparent from another source. The estimates and associated assumption are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

#### Evaluation of asset impairment

The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include significant changes in asset usage, significant decline in assets' market value and obsolescence or physical damage of an asset. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect property and equipment.

#### Financial assets and liabilities

The Company carries its financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., interest rates, volatility rates, the amount of changes in fair value would differ if the Company utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the statements of income and equity, as appropriate.

#### Impairment of Non-Financial Assets

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

#### Deferred tax assets

The Company reviews the carrying amounts of deferred income tax assets, if any, at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

#### Revenue recognition

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

## **6. FINANCIAL RISK MANAGEMENT**

#### Financial Risk Management Objectives and Policies

The main purpose of the Company's principal financial instruments is to fund the operational and capital expenditures. The Company's risk management is coordinated and in close operation with

the Board of Directors and focuses on actively securing the Company's short to medium term cash flows by minimizing the exposure to financial markets.

The Company's activities expose it to a variety of financial risks (credit risk, liquidity risk and market risk). The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company.

The policies for managing specific risks are summarized below.

#### Management of Financial Risk

##### Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

##### Capital Management Framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

##### Regulatory Framework

The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

##### Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of these financial risks are credit risk, liquidity risk and market risk.

##### Credit risk

The Company's credit risk is primarily attributable to its accounts receivables. The Company has adopted stringent procedure in extending credit terms to clients and in monitoring its credit risk.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.



As of balance sheet date, there were no significant concentrations of credit risk.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows and a balance between continuity of funding and flexibility through the use of short-term debt and advances from related parties.

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risks), market interest rates (interest rate risk) and market prices (price risk).

**7. CASH**

	<b>2019</b>	2018
Cash in bank	<b>₱8,059,638</b>	₱4,206,143

Cash in bank generally earns interest at the deposit rates and unrestricted as to withdrawal and can be used by the Company in its operations.

**8. TRADE AND OTHER RECEIVABLES**

	<b>2019</b>	2018
Trade	<b>P 7,169,245</b>	P 8,694,504

No interest is charged on these receivables even if exceeds credit period. Management believes that the carrying amount of the Company's trade receivables approximate fair values.

**9. INCOME TAX PAYABLE**

	2019	2018
Net income before income tax	P 2,826,844	P 2,719,118
Less: Non-taxable income/ Income subject to final tax		
Interest income on savings account	12,967	11,999
Add: Non-deductible expenses	250,309	-
Taxable income	3,064,186	2,707,119
Income tax rate- RCIT	30%	30%
Income tax- RCIT	919,256	812,136
Gross profit	6,013,787	5,309,270
Income tax rate- MCIT	2%	2%
Income tax- MCIT	120,276	106,185
Income tax due (RCIT or MCIT whichever is higher)	919,256	812,136
Less: Tax credits/ payments		
Prior year's excess credits	-	120,038
Tax payments for the first three quarters	459,695	282,110
Creditable withholding tax for the first three quarters	118,795	46,394
Creditable withholding tax for 4th quarter	24,995	19,439
Total tax credits/ payments	603,485	467,981
Income tax payable	P 315,771	P 344,155

**10. TRADE AND OTHER PAYABLES**

	2019	2018
Trade	P 10,793,209	P 8,260,667

**11. OTHER CURRENT LIABILITIES**

	2019	2018
Accrued expenses	P 126,528	-
VAT Payable	78,611	82,663
Professional fee payable	19,289	2,850
SSS, HDMF and Philhealth payable	7,176	7,532
Cash dividends payable (Note 14)	-	500,000
Expanded withholding tax payable	-	92,069
	P 231,604	P 685,114

**12. CAPITAL STOCK**

The Company is authorized to issue 10,000 shares of stock with a par value of P100.00 per share, of which 10,000 shares are subscribed and paid as of December 31, 2019 or for a total capital stock of P 1,000,000.00.

The share capital of the Company consists only of common stock. All shares are equally eligible to receive dividends and repayment of capital and each share is entitled to one vote at the shareholders' meeting of the Company.

### 13. RETAINED EARNINGS

At special meeting on December 8, 2015 held at the principal office of the Company, the Board of Directors approved the appropriation of retained earnings amounting to P700,000 which will be used for the expansion of showroom. As of December 31, 2018, the expansion has not yet been completed.

On a special meeting, last December 18, 2017, the Board of Directors approved the declaration of cash dividends out of the Corporation's unrestricted retained earnings as of December 31, 2016, amounting to Five Hundred Thousand Pesos (P500,000). The cash dividend will be paid on March 2018 to the corporate stockholders of record as of December 31, 2016.

On a special meeting, last December 17, 2018, the Board of Directors approved the declaration of cash dividends out of the Corporation's unrestricted retained earnings as of December 31, 2017, amounting to Five Hundred Thousand Pesos (P500,000). The cash dividend will be paid on March 2019 to the corporate stockholders of record as of December 31, 2017.

On a special meeting, last December 16, 2019, the Board of Directors approved the declaration of cash dividends out of the Corporation's unrestricted retained earnings as of December 31, 2018, amounting to One Million Six Hundred Thirty Thousand Pesos (P1,630,000). The cash dividend will be paid on March 2019 to the corporate stockholders of record as of December 31, 2018.

### 14. REVENUES

	2019	2018
Sales of goods	<b>₱109,368,939</b>	<b>₱76,575,283</b>

Revenue is recognized when the risk and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.

### 15. COST OF SALES

	2019	2018
Purchases	<b>₱103,355,152</b>	<b>₱71,266,013</b>

These purchases consist of wares and merchandise from suppliers.

### 16. OTHER INCOME

	2019	2018
Interest income on bank deposits	<b>₱12,967</b>	<b>₱11,999</b>

### 17. SELLING EXPENSES

	2019	2018
Representation	<b>P 181,619</b>	P 254,143
Transportation and travel	<b>183,961</b>	339,934
	<b>P 365,580</b>	P 594,077

**18. ADMINISTRATIVE EXPENSES**

	2019	2018
Salaries, wages and 13th month	<b>P 850,199</b>	P 598,712
Taxes and licenses (Note 19)	<b>598,865</b>	319,878
Supplies	<b>261,095</b>	326,282
Deficiency tax	<b>250,309</b>	-
Professional fee	<b>193,076</b>	52,974
Warranty expense	<b>155,968</b>	168,652
Motor and vehicle expense	<b>121,146</b>	117,500
Gas and oil	<b>119,395</b>	126,661
Installation and service call	<b>108,898</b>	98,491
SSS, PHIC and HDMF contribution	<b>67,558</b>	51,180
Telephone and communication	<b>52,502</b>	53,300
Training and seminar	<b>48,800</b>	88,000
Insurance	<b>6,044</b>	6,044
Bank charges	<b>475</b>	400
	<b>P 2,834,330</b>	P 2,008,074

**19. TAXES, DUTIES AND LICENSE FEES PAID AND ACCRUED**

Pursuant to the reportorial requirements of the Bureau of Internal Revenue (BIR), in accordance with Revenue Regulation (RR) No. 15-2010, amending RR No. 21-2002, as amended implementing section 6 (H) of the Tax Code of 1997, the Company disclosed the following:

**Value-Added Tax**

	2019	2018
1st qtr	<b>P 168,933</b>	P 109,472
2nd qtr	<b>117,650</b>	134,748
3rd qtr	<b>72,642</b>	145,890
4th qtr	<b>178,965</b>	247,003
	<b>P 538,190</b>	P 637,113

**Withholding Taxes**

	2019	2018
Expanded withholding taxes	<b>P 1,042,839</b>	P 718,191
Final withholding tax	<b>163,000</b>	-
Compensation and benefits	<b>2,753</b>	216
	<b>P 1,208,592</b>	P 718,407

**Local and National Taxes**

	2019	2018
Business permits and other related fees	<b>P 598,365</b>	P 319,378
Annual BIR registration fee	<b>500</b>	500
	<b>P 598,865</b>	P 319,878

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