

SEC COVER SHEET

FOR SEC

148022
S.E.C Registration Number

EURO - MED LABORATORIES
PHIL . , INC.

PPL BUILDING,
UNITED NATIONS AVENUE COR.
SAN MARCELI NO STREET, MANILA

(Business Address: No. Street City/Town/Province)

SANDRA N. PINEDA
Contact Person

524-0091-98
Company Telephone Number

1 2 3 1
Month Day
Calendar

AFS
FORM TYPE

Month Day
Annual Meeting

2010

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholder

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use blank ink for scanning purposes

BIR-BancNet Tax Payment Notification

From: BancNet Tax Payment <customer_service@bancnetonline.com>
To: pine_sandy@yahoo.com

Hello euromed,

This is to notify you that euromedlab, your Company's assigned Final Authorizer transacted with BancNet Online Tax Payment Gateway.

The transaction has just been processed with a status of Approved and with the following details:

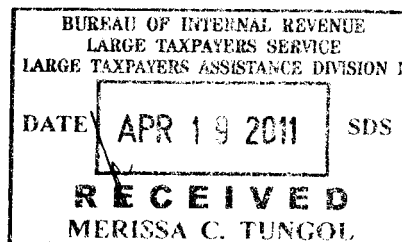
TIN : 000-288-655-000
RDO Code : 116
Tax Payer's Name : EURO MED LABORATORIES PHILS. INC.
Tax Type : IT
Tax Period : 12/31/2010
Quarter : 0
Bank : Philtrust Bank
Filing Reference Number : 121100004676966
Payment Transaction Number : 112841266
BancNet Confirmation Number: 90790
Payment Transaction Date : 04/14/2011
Tax Due : 42,420,680.00
Actual Amount Paid : 42,420,680.00
Transaction Date : 04/15/2011 12:46:30 PM
Transaction Status : Approved

This is an auto-email from BancNet Online.

DO NOT REPLY TO THIS MESSAGE. For further help or to contact support, please see <https://www.bancnetonline.com/apps/servlet/ServletFront?trxcode=137>.

If you have questions check the BancNet Online Site FAQ please see <http://www.bancnet.net/faq/corporate/faq/FAQBOL.html>.

Thank you very much.



To The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

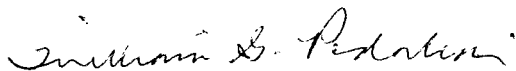
Statement of Management Responsibility for Financial Statements

The management of **Euro-Med Laboratories Phil., Inc.** is responsible for all information and representations contained in the financial statements for the year ended December 31, 2010 and 2009. The financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the Shareholders of the Company.

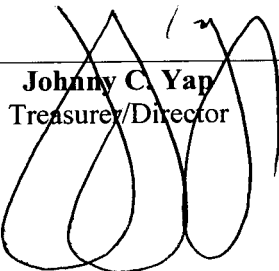
Mercado, Calderon, Jaravata & Co., the independent auditors appointed by the Shareholders, has examined the financial statements of the Company in accordance with the Philippine Standards on Auditing and have expressed their opinion on the fairness of the presentation upon completion of such examination in its report to the Board of Directors and Shareholders.



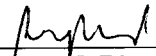
William Padolina
Chairman of the Board



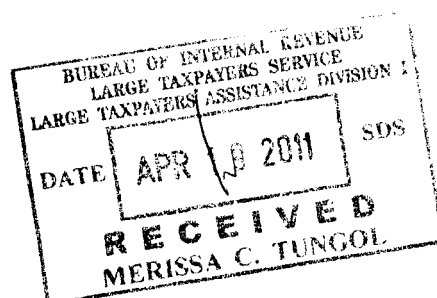
Georgiana S. Evidente
President/Director



Johnny C. Yap
Treasurer/Director



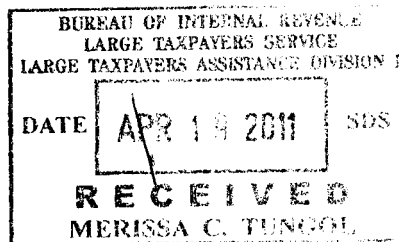
Sandra N. Pineda
Chief Accountant



SUBSCRIBED AND SWORN to before me this 10 day of April 2011 at the City of Makati, affiants exhibiting to me their Community Tax Certificates, as follows:

<u>Names</u>	<u>Community Tax Certificate No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
William Padolina	4668164	January 25, 2011	Los Banos ,Laguna
Georgiana S. Evidente	1300073	January 10, 2011	Manila
Johnny C. Yap	24707696	February 28, 2011	Manila
Sandra N. Pineda	20574144	January 10, 2011	Manila

Doc. No. 211
Page No. 42
Book No. 5
Series of 2011



EURO-MED LABORATORIES PHIL., INC.

PARENT COMPANY
AUDITED FINANCIAL STATEMENTS
December 31, 2010 and 2009
with Report of Independent Auditors



MCJ & Co.

Mercado, Calderon, Jaravata & Co.

Certified Public Accountants

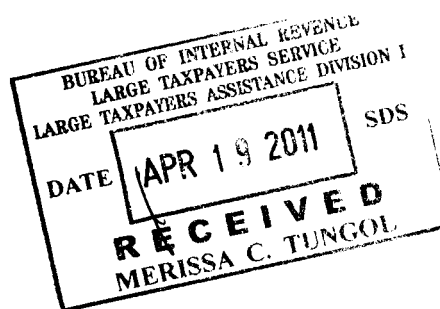
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Euro-Med Laboratories Phil., Inc.
PPL Building, United Nations Avenue, cor.
San Marcelino St., Manila



Report on the Financial Statements

We have audited the accompanying parent company financial statements of Euro-Med Laboratories Phil., Inc., which comprise the parent statements of financial position as at December 31, 2010 and 2009, and the related parent statements of comprehensive income, parent statements of changes in equity and parent statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Euro-Med Laboratories Phil., Inc. as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

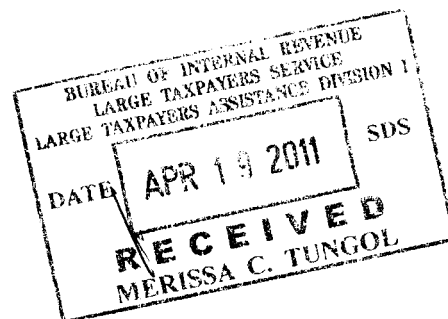
Report on the Supplementary Information Required Under Revenue Regulations 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on taxes and licenses in Note 28 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 management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MERCADO, CALDERON, JARAVATA & CO.

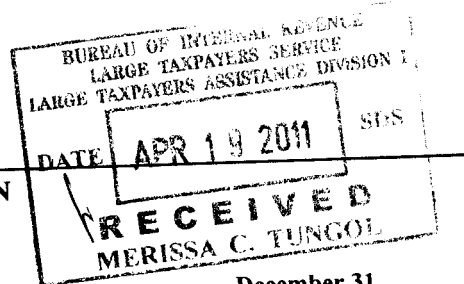


NAPOLEON A. CALDERON
Partner (Signing for the firm)
CPA License No. 041369
SEC Accreditation no. 1018-A
Issued on December 9, 2010; Valid until December 8, 2013
Tax Identification No. 102-921-214
BIR Accreditation No. 08-003338-1-2009
Issued on October 27, 2009; Valid until October 27, 2012
P.T.R. No. 2669937
Issued on January 7, 2011, Makati City

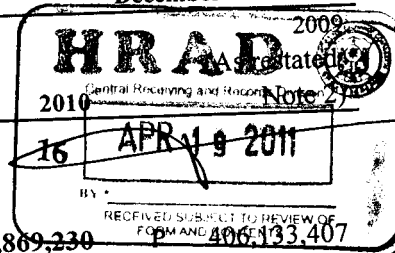


April 12, 2011

EURO-MED LABORATORIES PHIL., INC.
PARENT STATEMENTS OF FINANCIAL POSITION



December 31



	Notes			
ASSETS				
Current				
Cash	4,35	P 759,869,230		
Trade and other receivables, net	3,5,35	1,203,247,188		1,179,492,694
Inventories	3,6	898,298,537		1,061,553,025
Others	7,27,35	248,765,912		239,135,273
		3,110,180,867		2,886,314,399
Non-current				
Investment in subsidiaries	8	482,356,940		107,356,940
Property, plant and equipment	3,9,12	3,388,691,196		3,506,434,290
Others	10,28	238,215,999		178,953,547
		4,109,264,135		3,792,744,777
TOTAL ASSETS		P 7,219,445,002		P 6,679,059,176

LIABILITIES AND EQUITY

LIABILITIES

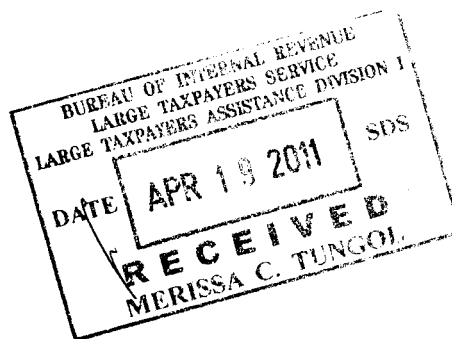
Current				
Trade accounts payable	11,35	P 259,568,975		P 449,747,857
Current portion of notes payable	12,35	1,224,149,999		1,455,733,335
Acceptances payable	14,35	422,065,812		141,195,752
Income tax payable		44,577,925		48,843,429
Others	15,35	14,964,926		33,695,239
		1,965,327,637		2,129,215,612
Non-current				
Notes payable - net of current portion	12,35	1,008,650,000		613,600,000
Retirement liability	3,26	25,067,957		10,635,649
Deferred credits	13	2,700,000		5,400,000
		1,036,417,957		629,635,649
EQUITY				
Share capital	16	3,843,122,000		3,543,122,000
Share premium		66,609,227		66,609,227
Retained earnings	17	307,968,181		310,476,688
		4,217,699,408		3,920,207,915
TOTAL LIABILITIES AND EQUITY		P 7,219,445,002		P 6,679,059,176

The notes on pages 7 to 49 are an integral part of these financial statements.
 Restatement was due to adoption of PAS 19 - Employee Benefits.

EURO-MED LABORATORIES PHIL., INC.
PARENT STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Years Ended December 31	
		2010	2009 (As restated; Note 2)
NET SALES	18	P 3,868,500,438	P 4,340,677,420
COST OF GOODS MANUFACTURED AND SOLD	21,26	2,653,274,854	3,186,538,944
GROSS PROFIT		1,215,225,584	1,154,138,476
Administrative and selling expenses	23,26	(379,993,747)	(363,753,701)
Distribution expenses	22,26	(215,056,128)	(191,276,651)
Finance income	19	3,356,099	3,134,493
Finance costs	24	(189,080,301)	(185,666,043)
Foreign exchange gain (loss)		(13,239,701)	12,674,141
Miscellaneous income	20	3,671,688	3,531,118
		(790,342,090)	(721,356,643)
INCOME BEFORE INCOME TAX		424,883,493	432,781,833
PROVISION FOR INCOME TAX	28	127,392,000	131,074,252
NET INCOME		P 297,491,493	P 301,707,581
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		P 297,491,493	P 301,707,581
EARNINGS PER SHARE	32		
Basic and Diluted		P 0.08	P 0.09

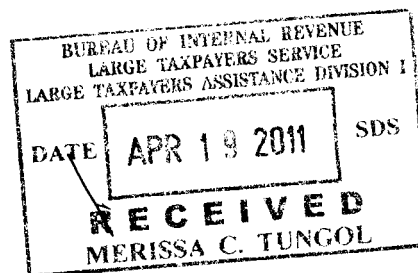
The notes on pages 7 to 49 are an integral part of these financial statements.
 Restatement was due to adoption of PAS 19 - Employee Benefits.



EURO-MED LABORATORIES PHIL., INC.
PARENT STATEMENTS OF CHANGES IN EQUITY

	Notes	Years Ended December 31	
		2010	2009 (As restated; Note 2)
SHARE CAPITAL - P1.00 par value			
Authorized - 5,000,000,000 common shares	16		
Issued and outstanding - 3,843,122,000 shares in 2010 and 3,543,122,000 shares in 2009	16	P 3,843,122,000	P 3,543,122,000
		66,609,227	66,609,227
SHARE PREMIUM			
RETAINED EARNINGS			
Balance, January 1	17	310,476,688	8,769,107
8.47% stock dividend	17	(300,000,000)	-
Total comprehensive income		297,491,493	301,707,581
		307,968,181	310,476,688
		P 4,217,699,408	P 3,920,207,915

*The notes on pages 7 to 49 are an integral part of these financial statements.
Restatement was due to adoption of PAS 19 - Employee benefits.*



EURO-MED LABORATORIES PHIL., INC.

PARENT STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P 424,883,493	P 443,417,482
Adjustments for:			
Depreciation and amortization	3,9,12	172,230,377	169,428,439
Finance costs		189,080,301	185,666,043
Provision for impairment losses	3,5,35	2,097,024	1,735,164
Finance income		(3,356,099)	(3,134,493)
Operating income before working capital changes		784,935,097	797,112,635
Changes in assets and liabilities:			
Increase in:			
Trade and other receivables	3,5,35	(25,851,518)	(242,771,533)
Inventories	13,6	163,254,488	(158,514,293)
Other current assets	10,28	(9,630,639)	(131,042,992)
Increase (decrease) in:			
Trade accounts payable	11,35	(190,178,882)	202,936,029
Acceptances payable		280,870,060	(44,711,178)
Other current liabilities	14,35	(18,730,313)	27,208,844
Income tax payable		(4,265,504)	(33,363,276)
Retirement liability	26	14,432,308	10,635,649
Cash generated from operations		994,835,097	427,489,885
Interest paid	24	(189,080,301)	(185,666,043)
Income tax paid		(134,577,087)	(152,469,327)
Interest received		2,684,879	1,312,521
Net cash provided by operating activities		673,862,587	90,667,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Subsidiary investment	8	(375,000,000)	-
Property, plant and equipment	3,9,12	(54,487,283)	(73,890,805)
Other non-current assets	10,28	(51,416,945)	(41,964,567)
Dividend received		10,800	1,511,250
Net cash used in investing activities		(480,893,428)	(114,344,122)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Availment of notes payable	12,35	163,466,664	201,066,670
Deferred credits	13	(2,700,000)	(1,381,260)
Net cash provided by financing activities		160,766,664	199,685,410
NET INCREASE IN CASH		353,735,823	176,008,324
CASH, BEGINNING OF YEAR		406,133,407	230,125,083
CASH, END OF YEAR	4,35	P 759,869,230	P 406,133,407

The notes on pages 7 to 49 are an integral part of these financial statements.

EURO-MED LABORATORIES PHIL., INC.

NOTES TO PARENT FINANCIAL STATEMENTS

1. Corporate Information

Euro-Med Laboratories Phil., Inc. (Euro-Med/the Company) began its commercial production in 1991 after it has been registered with the Bureau of Food and Drugs (BFAD) to manufacture pharmaceutical products of large and small volume parenterals and other solutions such as ophthalmic, inhalation, irrigation and dialysis. The Company is currently the largest manufacturer of high quality intravenous fluids in the Philippines.

Euro-Med is the Parent Company of its subsidiaries, (1) 102 E. De Los Santos Realty Co., Inc. (102 EDSA/the Subsidiary), a 100% owned firm acquired in May 2000 which is involved in leasing out investment property, (2) Hemotek Renal Center, Inc. (Hemotek/ the Subsidiary) a 100% owned firm which was newly incorporated in June 2008 and is engaged as a dialysis center, and (3) CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was newly incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto.

Euro-Med is a publicly listed corporation incorporated and domiciled in the Philippines. The Company was registered with the Securities and Exchange Commission (SEC) on January 29, 1988. Its registered office address is at PPL Building, United Nations Avenue corner San Marcelino St., Manila.

Euro-Med had its first listing on the Philippine Stock Exchange (PSE) on July 2, 1998.

These financial statements have been authorized for issue by the Board of Directors on 12 April, 2011.

2. Summary of Significant Accounting Policies

The policies set out below have been consistently applied to all the years presented, except for those relating to the accounting for pension benefit obligation under Philippine Accounting Standards (PAS) 19 - Employee Benefits. The Company opted to amortize its transitional liability determined at the date of the adoption of PAS 19 (which is January 1, 2009) for a period of 5 years or until December 31, 2013. The policies applied to pension benefit obligation for 2010 and 2009 are disclosed separately below.

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost convention method. The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and SIC/IFRIC interpretations which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements.

Use of Estimates and Judgments

The preparation of financial statements requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of resources, liabilities, income and expenses. Actual results may differ from these estimates.

Estimated underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 3.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards and amendments to standards that are mandatory for the first time for the financial year beginning January 1, 2010, except as otherwise stated.

- The PFRS for Small and Medium-sized Entities (SMEs) has been approved for adoption by the Financial Reporting Standard Council (FRSC) on October 13, 2009 and by the SEC, on December 3, 2009. The PFRS for SMEs is required to be used by entities that meet the definition of an SME, which include among others, an entity with total assets of between P3 million and P350 million or total liabilities of between P3 million and P250 million.

The PFRS for SMEs is a self-contained standard that is tailored for the needs and capabilities of smaller businesses. Many of the principles in full PFRS for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics not relevant to SME have been omitted, and the number of required disclosures has been significantly reduced.

The Company currently reports under full PFRS and is not allowed to adopt the PFRS for SMEs in its financial statements.

- Amendments to PFRS 1, *Additional Exemptions for First Time-Adopters*, address the retrospective application of PFRSs to particular situations and are aimed at ensuring that entities applying PFRS will not face undue cost or effort in the transition process. The amendments exempt entities using the full cost method from retrospective application of PFRS for oil and gas assets; exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease* when the application of their national accounting requirements produced the same result.
- Amendments to PFRS 2, *Group-settled Share-based Payment Transactions*, clarify the scope and the accounting for group cash-settled share-based payment transactions. The management has concluded that the amendment will have no impact on the financial position or performance of the Company as the Company has not entered into any such share-based payment transactions.
- Amendment to PAS 32, *Classification of Rights Issued*, effective for annual periods beginning on or after February 1, 2010. This amendment to PAS 32, *Financial Instrument: Presentation*, addresses the accounting for rights issues (rights, options or warrants) that are denominated in currency other than the functional currency of the issuer. Previously such rights issued were accounted for as derivative liabilities. However, the amendment issued today requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
- Amendment to PFRS 1: *Limited Exemption from Comparative PFRS 7, Disclosure for First Time Adopters*, effective date of amendment is July 1, 2010. It relieves first-time adopters of PFRSs from providing the additional disclosures introduced in Amendments to PFRS 7: improving Disclosures about Financial Instruments. It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to PFRS 7 provides to current PFRS preparers. Additionally, the amendment to PFRS 1 clarifies the FRSC's conclusions and intended transition for Amendments to PFRS 7.

The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Improvements to PFRS 2009

The omnibus amendments to PFRS issued in 2009 were issued primarily with a view of removing inconsistencies and clarifying wording. The adoption of the following amendments did not have any impact on the financial position or performance of the Company.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.
- PFRS 8, *Operating Segments*, Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- PAS 1, *Presentation of Financial Statements*, clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Cash Flow Statements*, explicitly states that only expenditures that result in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principle of PAS 17. The amendments will be applied retrospectively.
- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. This amendment also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, *Financial Instruments: Recognition and Measurement*, clarifies the following: (a) that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (b) that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (c) that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instruments or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect statements of comprehensive income.

Future Changes in Accounting Policies

The Company has not early applied the following new and revised PFRSs that have been issued but are not yet effective:

Effective in 2011

- PAS 24, *Related Party Disclosures* (Revised), effective for annual periods beginning on or after January 1, 2011, with earlier application permitted. The standard was revised in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by providing a partial exemption for government-related entities and by simplifying the definition of a related party and removing inconsistencies.
- Amendment to Philippine Interpretation of IFRIC 14, *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after January 1, 2011, with early adoption permitted. Philippine Interpretation IFRIC 14, which is itself an interpretation of PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

Effective in 2013

- PFRS 9, *Financial Instrument: Classification and Measurement*, effective date for mandatory adoption on January 1, 2013, with earliest application permitted for financial statements beginning on or after January 1, 2010. The standard introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments: Recognition and Measurement*. The approach in the new standard is based on how the entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.
- The new standard represents the completion of the first part of a three-part project of the FRSC to replace PAS 39 with a new standard – PFRS 9, *Financial Instruments*. The second part of the project will address proposals on the impairment methodology for financial assets and the third part, on hedge accounting.

The Company does not expect any significant impact in the financial statements when it adopts the above standards, amendments and Philippine interpretations. The revised and additional disclosures provided by the standards, amendments and interpretations will be included in the financial statements when these are adopted in 2011 to 2013, when applicable.

Cash and Cash Equivalents

Cash includes cash on hand and in banks and revolving fund. This account is recorded at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Financial Assets and Financial Liabilities

Date of recognition

The Company recognizes a financial asset or financial liability in the statement of financial position when it becomes a party to the contractual provision of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction cost. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets, and loans and receivables. The Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Fair value measurement

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques included net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Financial assets or financial liabilities at FVPL

The Company has designated financial assets and liabilities at FVPL when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

As of December 31, 2010 and 2009, the Company has no financial instrument classified at FVPL.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the investment income in the statement of comprehensive income. Gains and losses are amortized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

As of December 31, 2010 and 2009, the Company has no HTM investments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as

well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the financial position date.

As of December 31, 2010 and 2009, the Company classified as loans and receivables its trade and other receivables in the Company's statement of financial position.

AFS financial assets

AFS investments are those non-derivative financial assets that are either designated in this category or not classified in any of the other categories. After initial recognition, AFS investments are measured at fair value with unrealized gains or losses being recognized in the statements of comprehensive income. When the investment is disposed of, the cumulative gains or losses previously recognized as other comprehensive income is recognized in other income. Interest earned or paid on the investment is reported as interest income or expense using the effective interest rate.

As of December 31, 2010 and 2009, the Company has financial instruments classified as AFS included under non-current assets (see Note 10).

Other financial liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Included in other financial liabilities are the Company's trade accounts payable, notes payable, acceptances payables and other current liabilities.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another equity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to stockholder's equity net of any related income tax benefits.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized when:

- the rights to receive cash flows from the assets have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or

- the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset 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 the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Impairment of Financial Assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance account, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on

the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

AFS financial assets carried at fair value

In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income – is removed from the equity and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of “Investment income” in the statement of comprehensive income. If in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Trade and Other Receivables

Trade receivables are recognized and carried at original invoice amount less an estimate made for doubtful accounts based on the review of all outstanding amounts as of financial position date. An estimate for probable losses is made when collection of the full amount is no longer probable.

The Company has provided an allowance for doubtful accounts to take care of the estimated possible losses, which may be incurred in the non-collection of receivables.

Other receivables include the current portions of advances and deposits, housing loan assistance, and car loans, which are expected to be realized in the twelve (12) month period from financial position date.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV value for finished goods and raw materials is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. In determining the net realizable value, the Company considers any adjustments necessary for obsolescence.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Finished goods

Determined primarily on the basis of using the first-in, first out (FIFO) method; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

Raw materials

Cost is determined using the first-in, first-out basis.

Investment in Subsidiaries

A subsidiary is an entity that is controlled by another entity known as the parent company. Subsidiary is an entity over which the parent company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in shares of stock of the following subsidiaries are accounted for under the cost method. Under cost method, investment is carried at cost less impairment losses, if any.

Subsidiaries	Beneficial Ownership Interest
102 E. Delos Santos Realty Co., Inc.	100%
Hemotek Renal Center, Inc.	100%
CafeFrance Corp.	100%

The Company recognizes income from investment only to the extent that the Company receives distribution from accumulated profits of the subsidiaries arising after the date of acquisition. Distribution received in excess of such profits is regarded as recovery of investments and are recognized as a reduction of the cost of investment.

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated provision for any impairment in value.

The initial cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property beyond its originally assessed standard of performance and the cost of such item can be measured reliably, the expenditures are capitalized as an additional cost of the said property and equipment.

Land is stated at cost less impairment in value; if any. The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Land improvements	20 years
Building and improvements	30 years
Machinery and equipment	20 years
Laboratory equipment	10 years
Transportation equipment	10 years
Office furniture, equipment and improvements	10 years

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Prepaid Marketing Development Expense

This refers to the amount stipulated in the Company's sales contracts, which are amortized over the term of the relevant sales contracts.

Patents/Rights

Patents and rights are carried at acquisition cost and being amortized over a period of twenty (20) years.

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

Trade Accounts Payable

This account represents the outstanding non-interest bearing payables to suppliers of finished goods, raw materials and other services. There are no existing advances from directors, officers and employees.

Revenue and Expense 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 reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amounts of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding any trade discounts, prompt payment discounts and volume rebates.

Rental income

Rental income is recognized in the statement of comprehensive income when earned in accordance with the term of the lease agreement and on a straight-line basis over the term of the lease.

Dividend income

Dividend income is recognized when the shareholders' right to receive payment is established. When the dividend is a cash dividend from another domestic corporation and is tax free under the Tax Code of the Philippines.

Interest income

Revenue is recognized when it is determined that such income will accrue to the Company taking into account the effective yield on the asset and is presented gross of applicable tax withheld by the banks.

Costs and expenses are charged to operations when incurred.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies;

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment of scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the leased contract.

Company as a lessor

Leases where the Company retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

Employee Benefits

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and childcare services) are recognized as employee benefit expense and accrued when the associated services are rendered by the employee of the Company. Other employee benefits include Social Security System, Philhealth and other contributions.

Post-employment benefits

The Company is covered by a non contributory defined benefit plan.

The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period

The liability recognized in the statement of financial position in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the financial position date date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of debt securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability. Gains or losses on the curtailment or settlement of retirement benefit are recognized when the curtailment or settlement occurs. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service cost, if any, are recognized immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost are amortized on a straight- line basis over the vesting period.

The transitional liability as of January 1, 2009 is as follows:

	2009
Present value of obligation	P 37,892,700
Fair value of plan assets	-
Transitional liability	37,892,700
Liability recognized in the statement of financial position	-
Increase in liability	P 37,892,700
Amortization for increase in liability over 5 years	P 7,578,540

The difference of this transitional liability over the liability that would have been recognized at the same date under the Company's previous accounting policy is recorded as an expense on a straight-line basis over a period of 5 years from January 1, 2009 to December 31, 2013, as allowed under PAS 19. The portion of the transitional liability still to be recognized at December 31, 2010 and 2009 amounts to P22,735,620 and P30,314,160, respectively (see Note 26).

As a result of the adoption of PAS 19, the following adjustments were made to the 2009 financial information as of and for the year ended December 31, 2009:

Increase in deferred tax assets	P	3,190,695
Increase in liabilities		10,635,649
Decrease in retained earnings		7,444,954
Increase in cost of goods manufactured and sold		2,588,171
Increase in administrative and selling expenses		6,758,188
Increase in distribution expense		1,289,290
Decrease in provision for income tax		3,190,695
Decrease in net income		7,444,954

The restatement did not have any effect on the parent Company statements of cash flows.

PAS 1 requires a presentation of statement of financial position “as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statement, or when it reclassifies items in its financial statements.” The Company has assessed that it does not need to present an additional statement of financial position resulting from adoption of PAS 19 as the effect on the financial position as of the relevant date is not material.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts.

The capitalization of borrowing costs commences when the activities to prepare the asset are in-progress and expenditures and borrowing cost are being incurred. The capitalization of these borrowings costs ceases when substantially all activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Research and Development Costs

Expenditure on research for activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in profit or loss as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved product and processes, is capitalized if the product or process is technically and commercially feasible.

Income Taxes

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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 substantially enacted as at financial position date.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary difference at the financial position 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, except:

Where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and

In respect of taxable temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates expected to apply to 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 financial position date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (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 a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

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.

Related Party Relationships and Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related entities of the Company. Key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Earnings per Share (EPS)

Basic EPS is computed by dividing net income attributable to equity holders by the weighted average number of common shares issued and outstanding during the year, adjusted for any stock dividends declared.

Diluted (EPS) is calculated by dividing the net income attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Business Segment Information

The Company's properties which are all located in the Philippines is primarily used in manufacturing pharmaceutical products whether for domestic and export sales that constitute the Company's reportable segments, which is consistent with how the Company's management internally disaggregate financial information for the purpose of making internal operating decisions and evaluating performance. The Company has a customer base composed of more than 7,300 institutions nationwide. The company's sales are not dependent on one or a few major customers and no customer accounts for more than ten (10) percent of the Company's sales. Details of the Company's domestic and export sales are shown in Notes 18 and 33.

The Company's assets are utilized for manufacturing pharmaceutical products whether for domestic or export sales. Management considers that it is impractical to allocate such assets and related liabilities to the business segments. Accordingly, segment assets, segment liabilities and other segment information on cash flows and capital expenditures are not separately allocated to the business segments.

Foreign Currency Transaction and Translations

Foreign currency transactions are recorded in Philippine peso based on the exchange rate prevailing at the time of transaction. Outstanding foreign currency denominated assets and liabilities are restated based on the exchange rate prevailing at the financial position date. Foreign exchange gain (loss) account on foreign exchange translation represents gains and loss arising from subsequent settlements or restatements of foreign currency denominated assets and liabilities at exchange rates different from those at which they were recorded and are credited or charged to income.

Events After the Financial Position Date

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments 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.

Judgments

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sale of goods and the cost of goods sold.

Operating lease commitments – Company as lessee

The Company has operating lease agreements for its depots and office. The Company has determined that the risks and rewards of ownership for the underlying properties have been retained by the respective lessors. Accordingly, the leases are accounted for as operating leases.

Contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense on these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material effect on the Company's financial position. It is possible, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 31).

Classification of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Key Sources of Estimation Uncertainty

Estimated allowance for impairment of receivables

The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the receivable account.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

The related balances follow (see Note 5):

	2010	2009
Receivables	P 1,235,228,592	P 1,209,377,074
Allowance for impairment losses	31,981,404	29,884,380
Provision for impairment loss	2,097,024	1,735,163

Estimating impairment of inventory

The Company maintains an allowance for inventory losses at a level considered adequate to reflect the excess of cost over their net realizable values (NRVs). NRV of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the NTRVs will increase the carrying amounts of inventories but only to the extent of their original acquisition cost.

As of December 31, 2010 and 2009, the Company has no allowance for inventory losses. Inventory amounted to P898,298,537 and P1,061,553,025 as of December 31, 2010 and 2009, respectively.

Financial assets and liabilities

The Company carries certain 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., foreign exchange rates, interest 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 comprehensive income and changes in equity. Fair values of financial assets and liabilities are disclosed in Note 35.

Estimated useful lives of property, plant and equipment

The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The related balances follow (see Note 9):

	2010	2009
Cost	P 5,076,567,434	P 5,022,080,151
Accumulated depreciation and amortization	1,687,876,238	1,515,645,861
Depreciation and amortization	172,477,043	169,428,439

Asset Impairment

The Company assesses impairment on 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 the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell 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 can materially affect the financial statements.

No indications of impairment were noted on the Company's non-financial assets as of December 31, 2010 and 2009.

Deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets as at each date of financial position and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets

that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Company has deferred income tax assets amounting to P17,983,878 as December 31, 2010 and P12,156,009 as of December 31, 2009 (see Note 28).

Retirement benefit expense

The determination of obligation and cost for retirement is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions, which are described in Note 26, include, among others, discount rates and salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Company's retirement obligations.

The assumed discount rates were based on the bootstrapped PDEX PDST-R2 rates at various tenors as of financial position date.

Retirement benefit expense amounted to P17,329,232 and P14,781,895 for the years ended December 31, 2010 and 2009, respectively. Unfunded retirement obligation net of amortized transition liability, amounted to P25,067,957 and P10,635,649 as of December 31, 2010 and 2009, respectively.

4. Cash

This account consists of:

	2010	2009
Cash on hand and revolving funds	P 1,994,177	P 1,614,177
Cash in banks	757,875,053	404,519,230
	P 759,869,230	P 406,133,407

Cash in banks earns interest at the prevailing bank deposit rates. As of December 31, 2010 and 2009, cash in bank includes foreign currency-denominated deposits amounting to \$11,529,984 and \$1,489,174, respectively (see Note 34).

5. Trade and Other Receivables

This account consists of:

	2010	2009
Trade	P 1,233,140,258	P 1,205,096,444
Others	2,088,334	4,280,630
	1,235,228,592	1,209,377,074
Less allowance for impairment losses	31,981,404	29,884,380
	P 1,203,247,188	P 1,179,492,694

Other receivables represent dividends receivable and other non-trade receivable.

The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account.

Allowance for impairment losses relates to trade receivables. No allowance was provided on other receivables. The movement in the allowance for impairment losses follows:

		2010		2009
Balance, January 1	P	29,884,380	P	28,149,217
Provision for the year		2,097,024		1,735,163
	P	31,981,404	P	29,884,380

6. Inventories

The account consists of:

		2010		2009
Raw materials	P	176,917,297	P	206,417,137
Finished goods		721,381,240		855,135,888
	P	898,298,537	P	1,061,553,025

There are no transactions or events which occurred during the year involving the following:

- Declines subsequent to financial position date in market prices of inventory not protected by firm sales contract.
- Changes in pricing methods and the effects thereof;
- Unusual purchase commitments and accrued net losses, if any, on such commitments. (Losses which are expected to arise from firm and non-cancellable commitments for the future purchase of inventory items should, if material, be recognized in the accounts and separately disclosed in statements of comprehensive income);
- The amount of any substantial and unusual write downs.

The estimated net realizable values of inventories are as follows:

		2010		2009
Raw materials	P	239,252,194	P	669,943,826
Finished goods		984,945,957		1,090,277,522
	P	1,224,198,151	P	1,760,221,348

7. Other Current Assets

This account consists of:

	2010	2009
Advances and deposits	P 103,636,570	P 16,867,204
Advances to related party	40,000,000	121,500,000
Prepaid marketing development	29,636,875	34,768,310
Bidders and performance bond	29,378,530	20,456,567
Input tax (unamortized portion)	16,226,335	18,314,142
Housing and car loans	14,128,988	11,187,073
Creditable withholding VAT and tax	12,679,243	12,463,858
Advances to officers and employees	3,079,371	3,578,119
	P 248,765,912	P 239,135,273

Advances and deposits refer to advances to supplier of goods and services and are liquidated within the next twelve (12) month period.

Advances to related party refer to advances made by the Company to its wholly owned subsidiary, CafeFrance Corp., which was newly incorporated in August 2010 and is engaged in the business of food and / or restaurant service.

Prepaid marketing development refers to the current portion of the amount presented in non-current asset- others and which are to be amortized within the next twelve (12) month period.

Bidders and performance bond refers to cash bonds deposited with customers as required by its bidding procedures. Bidders bond are withdrawable within thirty (30) days from completion of bidding, while performance bonds are withdrawable within six (6) to twelve (12) months from completion of sales contracts.

Input tax refers to the Value Added Tax (VAT) due from or paid by a VAT registered person in the course of his trade or business on importation of goods or local purchases of goods and for services, including lease or use of property, from a VAT – registered person. These are creditable against the output VAT on sale of goods and services during the taxable quarter(s), except input tax for purchases of capital goods, the aggregate acquisition cost of which in a calendar month exceeds one million pesos (P1.0 million) which shall be spread evenly on a monthly basis over the estimated useful life of the capital goods.

Creditable withholding refers to deductions made by customers from their payments for our sales of goods and are creditable from VAT output tax, upon submission of the relative Certificate of Withholding VAT from these customers.

Advances to officers and employees refer to advances for company expenses which are subject to liquidation by concerned officers/employees within the next twelve (12) month period. Housing and car loans includes loan assistance to employees for acquisition of house or car and are deductible from the salaries of concerned employees,

8. Investment in Subsidiaries

The components of the carrying values of investment in subsidiaries accounted for under the cost method are as follow:

	2010	2009
Acquisition costs:		
102 E. Delos Santos Realty Co., Inc.	P 82,356,940	P 82,356,940
Hemotek Renal Center, Inc.	250,000,000	25,000,000
Cafe France Corp.	150,000,000	-
	P 482,356,940	P 107,356,940

9. Property, Plant and Equipment

The roll-forward analysis of this account as of December 31, 2010:

	Land and land improvements	Building and improvements	Machinery and equipment	Transportation equipment	Total
Cost:					
January 1, 2010	P39,693,201	P415,452,389	P4,554,182,811	P12,751,750	P5,022,080,151
Additions	847,517	8,508,945	40,937,964	4,992,857	55,287,283
Disposals	-	-	-	(800,000)	(800,000)
December 31, 2010	40,540,718	423,961,334	4,595,120,775	16,944,607	5,076,567,434
Accumulated Depreciation:					
January 1, 2010	12,703,217	145,221,137	1,346,930,906	10,790,601	1,515,645,861
Depreciation	749,654	10,062,481	161,102,746	562,162	172,477,044
Disposals	-	-	-	(246,667)	(246,667)
December 31, 2010	13,452,871	155,283,618	1,508,033,652	11,106,096	1,687,876,238
Net Book Value					
December 31, 2010	P27,087,847	P268,677,716	P3,087,087,122	P5,838,511	P3,388,691,196

The roll-forward analysis of this account as of December 31, 2009:

	Land and land improvements	Building and improvements	Machinery and equipment	Transportation equipment	Total
Cost					
January 1, 2009	P39,693,201	P383,580,561	P4,512,163,834	P12,751,750	P4,948,189,346
Additions	-	31,871,828	42,018,977	-	73,890,805
Disposals	-	-	-	-	-
December 31, 2009	39,693,201	415,452,389	4,554,182,811	12,751,750	5,022,080,151
Accumulated depreciation					
January 1, 2009	11,953,563	135,759,814	1,188,275,606	10,228,439	1,346,217,422
Depreciation	749,654	9,461,323	158,655,300	562,162	169,428,439
Disposals	-	-	-	-	-
December 31, 2009	12,703,217	145,221,137	1,346,930,906	10,790,601	1,515,645,861
Net book value					
December 31, 2009	P26,989,984	P270,231,252	P3,207,251,905	P1,961,149	P3,506,434,290

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to P172,477,043 and P169,428,439 respectively, broken down as follows:

	2010	2009
Charged to:		
Factory overhead	P 163,297,679	P 160,540,829
Administrative and selling expenses	4,230,772	3,590,960
Distribution expenses	4,948,593	5,296,650
	P 172,477,044	P 169,428,439

Certain real estate and machines were used as collateral for long-term borrowings (see Note 12)

10. Other Non-Current Assets

This account consists of:

	2010	2009
Prepaid marketing development expense	P 190,526,458	P 139,073,244
Advances and deposits, housing and car loans (realizable beyond the next 12-month period)	27,320,995	26,614,987
Deferred tax assets (see Note 28)	17,983,878	12,156,009
Patents/Rights	2,040,668	765,307
Available-for-sale financial assets	344,000	344,000
	P 238,215,999	P 178,953,547

Prepaid marketing development expenses, refer to those expenses which are to be amortized for more than twelve months. The amount presented is net of current portion reported under other current assets.

Advances and deposits pertain to advances to suppliers for company expenses which are subject to liquidation beyond the next twelve (12) month period from financial position date. Housing and car loans are deductible from salaries of concerned employees. The amount presented is net of current portion reported under current asset-others.

Available-for-sale securities are the Company's investment in PLDT shares and Casino Español de Manila. As of December 31, 2010, the fair value of the said investments equals its year-end book value.

The account consists of:

	2010	2009
Philippine Long Distance Corporation (PLDT)	P 144,000	P 144,000
Casino Espanol de Manila	200,000	200,000
	P 344,000	P 344,000

The PLDT shares represents stocks held by the Company under the investee's Subscribers Investment Plan. This is in connection with the various telephone lines acquired by the Company. Investment in Casino Español de Manila represents corporate proprietary shares.

Patents and rights are carried at acquisition cost and being amortized over a period of twenty (20) years. The Company has registered trade names and trademarks with the Department of Trade-Bureau of Patents, Trademarks and Technology (BPTTT).

Movement in patents rights account for the years December 31 2010 and 2009 are as follows:

	2010	2009
Balance, beginning	P 765,307	P 876,246
Additions during the year	1,386,300	-
Amortization during the period	(110,939)	(110,939)
	P 2,040,668	P 765,307

11. Trade Accounts Payable

The account relates to the outstanding payables to the Company's suppliers of raw materials, distributed products and other services. As of financial position date, the balances amount to P259,568,975 and P449,747,857 for 2010 and 2009, respectively.

12. Notes Payable

This account consists of:

	2010	2009
Current	P 1,224,149,999	P 1,455,733,335
Non-current	1,008,650,000	613,600,000
	P 2,232,799,999	P 2,069,333,335

Current portion of notes payable represents the Company's net availments from the Omnibus Credit lines granted by various local banks in the aggregate principal amount of P1,224,149,999 and P1,455,733,335 in 2010 and 2009 respectively. The proceeds of the loans were used for working capital of distributed products and investment to company subsidiary. Credit lines are available in peso or dollar availments of up to 360 days term. Interest is payable / renewable monthly or every 60 to 90 days in arrears at prevailing bank loan rate. Also included in this account is the current maturing portion of long-term loan amounting to P126,950,000 in 2010 and P206,733,335 in 2009.

Non-current portion of notes payable pertains to the loans obtained by the Company from local banks payable in three (3) to seven (7) years on principal amortization and interest rates are based on T-bills plus spread. The loan proceeds were used to refinance short-term notes payable and for capital expenditures. The loans are collateralized by a mortgage on land with an area of 36,314 sq. meters in Cavite; building and improvements on land; and machinery consisting of three production lines.

As at financial position date, total long-term loans are presented net of current maturing portion as follows:

	2010	2009
Long-term loans	P 1,135,600,000	P 820,333,335
Current portion of long-term loans	126,950,000	206,733,335
	P 1,008,650,000	P 613,600,000

The current portion of the long-term loans pertains to the amount of the liability due within one year following the close of the financial position date.

The Company has Omnibus Credit lines in the aggregate amount of about P2.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollars), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). Availments are for a period of 180 to 360 days, with interest payable/reviewable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

The details of Property, Plant and Equipment pledged as security to liabilities based on fair market value as at financial position date follows:

Land	P	152,519,000
Building and improvements		200,792,000
Machineries and equipment		1,669,053,000
	P	2,022,364,000

The titles of real estate properties were not restricted.

13. Deferred Credits

This represents advance rental and refundable deposits amounting to P2,700,000 for 2010, and P 5,400,000 for 2009.

14. Acceptances Payable

This account represents trust receipts on letters of credit obtained from various local banks for the importation of various raw materials. This is part of the availments from Omnibus Credit lines of various commercial banks.

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) usance and trust receipts available up to 180 days with interest payable / reviewable monthly or every 30 to 90 days in arrears at prevailing bank loan rate.

15. Other Current Liabilities

This account consists of:

		2010		2009
Accrued expenses	P	1,121,224	P	2,354,528
Agency payable		13,843,702		31,340,711
	P	14,964,926	P	33,695,239

Accrued expenses represent accrual of purchases of finished goods inventories, raw materials, and services.

Agency payable account consists of:

	2010	2009
SSS/Pagibig/Philhealth premiums and loans	P 2,632,764	P -
BIR withholding taxes and VAT payable	11,210,938	31,340,711
	P 13,843,702	P 31,340,711

16. Share Capital

Details of the Company's common stock as of December 31, 2010 and 2009 follow:

	2010	2009
Authorized - P1.00 par value		
Common- 5,000,000,000 shares	P 5,000,000,000	P 5,000,000,000
Issued		
3,843,122,000 shares in 2010 and		
3,543,122,000 shares in 2009	P 3,843,122,000	P 3,543,122,000

17. Retained Earnings

This account represents retained earnings amounting to P307,968,181 in 2010 and P310,476,688 in 2009. There are no restrictions, statutory or contractual, including those relating to legal reserves and capitalized earnings, which limit for dividend purposes and other appropriations. The amounts are all unappropriated/free. There is no existing stock purchase agreement.

Dividend Declaration

In a special meeting held on May 14, 2010, the Board of Directors unanimously approved the declaration of a Three Hundred Million Pesos (P300,000,000.00) stock dividend to be taken from the unrestricted retained earnings of the Corporation as of December 31, 2009 subject to the approval of shareholders at the annual shareholders' meeting to be held on July 21, 2010. The Board further approved to increase the authorized capital stock of the Corporation from Three Billion Eight Hundred Million Pesos (P3,800,000,000.00) to Five Billion Pesos (P 5,000,000,000.00) and to apply the stock dividend in support of the increase. In furtherance thereof, the Board also approved the issuance of Three Hundred Million (300,000,000) shares with a par value of one peso (P1.00) per share from its authorized and unissued capital stock. The application for the increase in the authorized share capital was approved by the Securities and Exchange Commission on September 29, 2010.

The stock dividend of three hundred million (300,000,000) shares is equivalent to 8.46710895% based on the issued and outstanding capital stock of the corporation of Three Billion Five Hundred Forty Three Million One Hundred Twenty Two Thousand (3,543,122,000) shares with a par value of One Peso (P1.00).

The above stated board resolutions were approved by:

- The above stated board resolutions were approved by:
- The stockholders during the annual stockholders' meeting held on July 21, 2010.
- The Securities and Exchange Commission (SEC) on September 29, 2010.
- The Philippine Stock Exchange, Inc., (PSE) on September 29, 2010 and was listed on that same date.

In a meeting held on December 17, 2008 and April 7, 2009, the Board of Directors approved the declaration of 10% stock dividend from the unrestricted retained earnings of the Corporation as of 31 December 2008 and in furtherance thereof, approved the additional issuance of three hundred twenty two million One hundred two thousand (322,102,000) shares from its authorized and unissued capital stock subject to the approval of shareholders at the annual shareholders meeting to be held in 2009, the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The stock dividend of 10% is equivalent to three hundred twenty two million One hundred two thousand (322,102,000) shares at par value based on the issued and outstanding capital stock of the Corporation of three billion two hundred twenty one million twenty thousand (3,221,020,000) shares with a par value of One Peso (P1.00).

The above stated board resolutions were approved by:

- The stockholders during the annual stockholders' meeting held on June 17, 2009.
- The Securities and Exchange Commission (SEC) on July 14, 2009.
- The Philippine Stock Exchange, Inc., (PSE) on July 14, 2009 and was listed on that same date.

18. Net Sales

The total net sales are broken down as follows:

	2010	2009
Local sales	P 3,356,076,132	P 3,877,037,527
Export sales		
ASEAN	317,903,511	306,259,485
Other Asian countries	64,061,210	46,935,600
Africa	58,435,097	49,620,901
Others	72,024,488	60,823,907
	512,424,306	463,639,893
	P 3,868,500,438	P 4,340,677,420

19. Finance Income

This account consists of:

	2010	2009
Interest income	P 3,345,299	P 1,623,243
Dividend income	10,800	1,511,250
	P 3,356,099	P 3,134,493

20. Miscellaneous Income

This account consists of:

	2010	2009
Meralco refund	P 1,907,616	P 1,904,687
Interest on car/housing loan	1,360,805	1,608,320
Others	403,267	18,111
	P 3,671,688	P 3,531,118

21. Cost of Goods Manufactured and Sold

This account consists of:

	2010	2009
Raw materials used	P 710,772,219	P 628,924,215
Direct labor	80,934,552	73,700,539
Manufacturing overhead	678,219,822	636,572,565
Cost of goods manufactured	1,469,926,593	1,339,197,319
Finished goods		
Beginning of year	855,135,887	691,389,793
Purchases	1,049,593,613	2,011,087,719
End of year	(721,381,239)	(855,135,887)
	P 2,653,274,854	P 3,186,538,944

The breakdowns of raw materials used at December 31 are as follows:

	2010	2009
Beginning of year	P 206,417,137	P 211,648,940
Purchases	681,272,379	623,692,412
Raw materials available for use	887,689,516	835,341,352
End of year	(176,917,297)	(206,417,137)
	P 710,772,219	P 628,924,215

