COVER SHEET

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S.E.C. Registration Number

E U R O - M E D L A B O R A T O R I E S P H I L . ,

I N C .

(Company's Full Name)

1 0 0 0 U N I T E D N A T I O N A V E N U E C O R .

S A N M A R C E L I N O S T . M A N I L A

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

S a n d r a P I n e d a

Contact Person

5 2 4 0 0 9 1 - 9 8

Company Telephone Number

0 5 | 1 4

Month *Day*

Fiscal Year

2 0 0 8

1 7 - Q

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks - pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended March 31, 2008

2. SEC Identification Number 148022   3. BIR Tax Identification No 000-288-655V

4. Exact name of registrant as specified in its charter **EURO-MED LABORATORIES PHIL., INC.**

5. Philippines
(Province, country or other jurisdiction of incorporation or organization)

6. ________ (SEC Use Only)
Industry Classification Code:

7. 1000 United Nations Avenue cor. San Marcelino St., Manila
Address of principal office

1000
postal code

8. (632) 524-0091 to 98
Issuer's telephone number, including area code

9. Not Applicable
Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	2,928,200,000 shares

11. Are any or all of these securities listed on a Stock Exchange?

Yes [x]   No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange   Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, or Section 11 of the RSA and RSA Rule 11(a) -1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x]   No [ ]

EURO-MED LABORATORIES PHIL., INC.
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SEC FORM 17-Q

Part I – Financial Information

Item 1. Financial Statements
See accompanying Interim Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's operations have no seasonal aspects that had a material effect on the financial condition or results of operations. The Company operates regularly for twelve (12) months during the year and does its maintenance jobs during Sundays and holiday breaks. There are no known trends, demands, material commitments for capital expenditures, events, or uncertainties that will have a material impact on the Company's liquidity or have a material favorable or unfavorable impact on net sales/revenue/income from continuing operations. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company's top five (5) key performance indicators are:

1.) The Company's net sales decreased by 0.66% from P502.1 million for the first quarter of 2007 to P498.8 million for the first quarter of 2008. The increase(decrease) in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase in sales by the peso sales during the comparable period of previous year.

2.)Gross profit from sales decreased by 11% from P243.7 million for the first quarter of 2007 to P217.4 million for the first quarter of 2008. Cost of goods manufactured and sold increased by 9% from P258.4 million for the first quarter of 2007 to P281.3 million for the first quarter of 2008. The increase was attributed to the increase in production cost caused by the increase in imported raw materials, electricity, fuels and the higher cost of sales on products which are being distributred by the company. As a percentage of net sales, cost of goods manufactured and sold increased from 51% for the first quarter of 2007 to 56% for the first quarter of 2008. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase/decrease in gross profit by the peso gross profit during the comparable period of previous year.

3.) Income from operations (income before finance income/cost and miscellaneous income)decreased by 27% from P129.9 million for the first quarter of 2007 to P94.6 million for the first quarter of 2008.

Operating expenses (administrative, selling and distribution) increased by 8% from P113.7 million for the first quarter of 2007 to P122.9 million for the first quarter of 2008. The increase was due to increased variable operating expenses, i.e. delivery expenses, marketing development and entertainment expenses, office supplies, commission and transportation expenses. Operating expenses increased as a percentage of the Company's net sales from 22.6% for the first quarter of 2007 to 24.6% for the first quarter of 2008. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling and distribution expenses. The percentage change in income from operations is calculated by dividing the peso increase (decrease) in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net finance income/cost and miscellaneous income decreased by 7% from P52.2 million for the first quarter 2007 to P48.4 million for the first quarter of 2008 due to lower interest on loans. Changes in net finance income/costs and miscellaneous income indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase(decrease) in net finance income/cost and miscellaneous income by the peso net finance income/costs during the comparable period of previous year.

5.) Provision for income tax decreased by 40.5% from P27.2 million for the first quarter of 2007 to P16.2 million for the first quarter of 2008. Net income decreased by 40.5% from P50.5 million for the first quarter of 2007 to P30.0 million for the first quarter of 2008. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of- return expectations. The percentage change in net income is calculated by dividing the peso increase in net income by the peso net income during the comparable period of previous year.

The Company's total assets increased by .01% from P5.572 billion in 2007 to P5.573 billion in 2008. Current ratio increased by 3.2% from 1.00:1 in 2007 to 1.03:1 in 2008, while Equity ratio remain the same at 0.60:1 in 2007 and 2008.

The decrease in cash and cash equivalents was due to payments of loans and accounts payable. The decrease in trade and other receivables was due to the collection of export and local sales. The increase in inventory was due to the increase in finished goods and raw materials stocks. The increase in other current assets was due to the increase of advances to suppliers and prepaid marketing development expense . The decrease in trade accounts payable was due to the payments in purchases of local raw materials and services from suppliers. The decrease in notes payable was due to the payment of loan. The decrease of deferred credits was due to the amortization of deferred amount to rent income. The increase in acceptances payable was due to the trust recipts on letters of credit for the importation of raw materials. The increase in other current liabilities was due to the increase in accrued expenses. The income tax payable increase since the amount as of 31 December 2007, represents the audited final and adjusted income tax payable as of the end of year 2007 while the amount as of 31 March 2008 includes the unaudited estimated tax on income for the first quarter of 2008. The dividends represent the stock dividends declared by the Board of Directors on 19 December 2007, which was already reflected in the Balance sheet.

Projection

The Company expected to increase its sales in 2008 by about 10% from its local and export sales. The Company is continuously expanding its present product line to include specialty products for inhalation, ophthalmic, irrigation and other healthcare purposes. The Company expects to open new export markets in other countries and increase the number of products being exported.

The gross profit ratio is expected to decrease from 45% of sales in 2007 to about 44% of sales in 2008 due to higher cost of sales caused by the increase in imported materials, fuels and the higher cost of sales on products which are being distributed by the Company. The expected gross profit in 2008 is about P1,148 million.

The net income for 2008 is expected to increase by about 8%. As a percentage of sales, the net income ratio is expected to remain the same at 11% of sales in 2008 and 2007. The expected net income in 2008 is about P285 million.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EURO-MED LABORATORIES PHILS., INC.
By:

Georgiana S. Evidente
President

May 13, 2008

Sandra N. Pineda
Chief Accountant

May 13, 2008

EURO-MED LABORATORIES PHIL., INC.
BALANCE SHEETS

	Notes	31 March 2008 (Unaudited)	31 December 2007 (Audited)
ASSETS			
Current			
Cash and cash equivalents	2.7, 4	**P284,571,524**	P301,106,150
Trade and other receivables, net	2.9, 5	**742,339,362**	792,133,157
Inventories	2.10, 6	**555,516,915**	471,179,050
Others	2.14, 7	**94,132,543**	87,095,906
		1,676,560,344	1,651,514,263
Non-current			
Investment in subsidiary	2.11, 8	**82,356,940**	82,356,940
Property, plant and equipment	2.12, 2.13, 9	**3,664,531,980**	3,689,238,291
Others	2.14-15, 10, 35	**149,348,082**	148,987,091
		3,896,237,002	3,920,582,322
TOTAL ASSETS		**P5,572,797,348**	P5,572,096,585
LIABILITIES AND EQUITY			
Current			
Trade accounts payable	2.16, 11	**P54,856,981**	P67,111,043
Notes payable	2.18, 12	**1,318,616,666**	1,407,266,667
Acceptances payable	13	**145,732,092**	95,207,403
Income tax payable	2.21, 3.3, 29	**71,733,655**	55,554,215
Others	14	**31,533,402**	23,980,237
		1,622,472,796	1,649,119,565
Non-current			
Notes payable	2.18, 12	**585,999,999**	585,999,999
Deferred credits	15	**2,700,000**	5,400,000
		588,699,999	591,399,999
Equity		**3,361,624,553**	3,331,577,021
TOTAL LIABILITIES AND EQUITY		**P5,572,797,348**	P5,572,096,585

The notes on pages 8- 33 are an integral part of these finanical statements.

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF INCOME AND EXPENSES

	Notes	For Quarter ended 31 March 2008 (Unaudited)	2007 (Unaudited)
NET SALES	2.17, 3, 20	**P498,785,843**	**P502,119,797**
COST OF GOODS MANUFACTURED AND SOLD	2.10, 23	**281,327,974**	**258,376,801**
GROSS PROFIT		**217,457,869**	**243,742,996**
Administrative and selling expenses	24	**(79,112,228)**	**(70,865,303)**
Distribution expenses	25	**(43,757,791)**	**(42,903,251)**
Finance income	2.17, 21	**510,937**	**224,279**
Finance cost	26, 27	**(47,984,600)**	**(52,744,829)**
Foreign exchange gain (loss)	2.20, 33	**(1,023,263)**	**(822,992)**
Miscellaneous income	**22**	**136,048**	**1,096,137**
INCOME BEFORE INCOME TAX		**46,226,973**	**77,727,037**
PROVISION FOR INCOME TAX	2.21, 3.3, 29	**16,179,440**	**27,204,464**
NET INCOME		**P30,047,532**	**P50,522,574**
EARNINGS PER SHARE			
Basic and Diluted	2.22, 30	**P0.01**	**P0.02**

The notes on pages 8-33 are an integral part of these financial statements.

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

	Share capital (Notes 17, 18)	Share premium reserve	Retained earnings (Notes 17, 19)	Total equity	
				March 31, 2008	March 31, 2007
Balances, 31 December 2007 and 2006	P3,221,020,000	P66,609,227	P43,947,794	P3,331,577,021	P3,066,692,882
10% Stock dividend	-	-	-	-	-
Balances, 31 March 2008 and 2007	3,221,020,000	66,609,227	43,947,794	3,331,577,021	3,066,692,882
Net income for the period Jan.-March 2008 and 2007	-	-	30,047,532	30,047,532	50,522,574
Balances, 31 March 2008 and 2007	3,221,020,000	66,609,227	73,995,326	3,361,624,553	3,117,215,456

The notes on pages 8- 33 are an integral part of these finanical statements.

EURO-MED LABORATORIES PHIL., INC.
STATEMENTS OF CASH FLOWS

	Notes	For Quarter ended 31 March 2008 (Unaudited)	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P46,226,973	P77,727,037
Adjustment for:			
Depreciation and amortization	9	42,132,831	41,556,843
Finance cost	26	47,984,600	52,744,829
Foreign exchange loss	2.20, 33	1,023,263	822,992
Finance income	2.17, 21	(510,937)	(224,279)
Miscellaneous income	22	(136,048)	(1,096,137)
Operating income before working capital changes		137,367,667	172,851,701
Changes in assets and liabilities:			
Increase in:			
Trade and other receivables	2.9, 5	16,534,626	18,494,378
Inventories	2.10, 6	(84,337,865)	(39,305,908)
Other current assets	2.14, 7	(7,036,637)	849,422
Increase (decrease) in:			
Trade accounts payable	2.16, 11	(12,254,062)	814,168
Acceptances payable	13	50,524,689	21,964,572
Other current liabilities	14	(7,553,165)	(21,678,110)
Cash generated from operations		93,245,253	153,990,223
Interest paid	26	(47,984,600)	(52,744,829)
Income tax paid	2.21, 3.2, 29	(16,179,440)	(27,204,464)
Interest received	21	507,987	221,529
Net cash provided by operating activities		29,589,200	74,262,459
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the acquisition of property, plant and equipment	9	(17,426,520)	(24,697,694)
Dividend received	21	2,950	2,750
Decrease (increase) in other non-current assets	10	(360,991)	(8,117,452)
Net cash used for investing activities		(17,784,561)	(32,812,396)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of notes payable	2.18, 12	(88,650,001)	(123,066,667)
Increase (decrease) in deferred credits	15	(2,700,000)	(2,700,000)
Net cash provided by financing activities		(91,350,001)	(125,766,667)
NET INCREASE IN CASH		(16,534,626)	(58,159,410)
Cash and Cash Equivalents, Beginning of the Year	2.7, 4	301,106,150	276,976,598
Cash and Cash Equivalents, End of Period	2.7, 4	P284,571,524	P218,817,188

The notes on pages 8- 33 are an integral part of these finanical 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 only subsidiary, 102 E. De Los Santos Realty Co., Inc. (102 EDSA/the Subsidiary), a 100% owned firm acquired in May 2000. The Subsidiary is involved in leasing out investment property.

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.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

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

2.1 Statement of Compliance

These financial statements were prepared in accordance with the Philippine Financial Reporting Standards (PFRS). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations which have been approved by the Accounting Standards Council (now called, Financial Reporting Standards Council or FRSC) and adopted by the SEC, including SEC pronouncements.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

2.3 Functional and Presentation Currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso except when otherwise indicated.

2.4 Use of Estimates and Judgments

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

2.5 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except that the Company has adopted the following new and amended PFRS and Philippine Interpretations from

International Financial Reporting Interpretation Committee (IFRIC) during the year. Adoption of these revised standards and interpretations did not have any effect on the Company's financial statements. These, however, required additional disclosures on the financial statements.

- PFRS 7, *Financial Instruments - Disclosures.* PFRS 7 includes all of the disclosure requirements relating to financial instruments and will replace the disclosure section of PAS 32 Financial Instruments: Disclosure and Presentation and all of PAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions. PAS 32 will then contain only presentation requirements for financial instruments. The most significant additional disclosure requirements of PFRS 7 (compared to PAS 32 and PAS 30) are as follows: (a) qualitative risk disclosures are to include information on the processes that an entity uses to manage and measure its risks, (b) quantitative data about the exposure to each type of risk (including credit risk, liquidity risk and market risk) arising from financial instruments, (c) information about the credit quality of financial assets that are neither past due nor impaired, (d) an analysis of financial assets that are past due or impaired, including a description of collateral held as security and its fair value, (e) a market risk sensitivity analysis which includes the effect of a reasonably possible change in the risk variables, along with the methods and assumptions used in preparing the analysis. The adoption of the Standard did not have a direct impact on the amounts included in the Company's financial statements. However, the new Standard resulted to changes in the financial instrument disclosures included in the Company's financial statements.

1. *Amendments to* PAS 1, *Presentation of Financial Statements* - Capital Disclosure. This amendment, which is effective for annual periods beginning on or after January 1, 2007, requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel, and will include: (a) the objectives, procedures and policies used to manage capital (b) a description of what the entity manages as capital, the nature of any externally imposed capital requirements (if any) and how it meets objectives for managing capital, (c) quantitative information about what the entity manages as capital and any changes from the prior period, (d) whether the entity complied with externally imposed capital requirements and the consequences of any non-compliance, (if applicable). Additional disclosures required were included in the financial statements, where applicable.

2. *Philippine Interpretation IFRIC 7, " Applying the Restatement Approach under PAS 29,* Financial Reporting in Hyperinflationary Economies" – the Company adopted the interpretation in 2007 which requires that when a country becomes hyperinflationary, PAS 29 must be applied as if the country had always been hyperinflationary and it provides guidance on calculating deferred taxes and comparatives.

3. *Philippine Interpretation IFRIC 8, - "Scope of PFRS 2"* – This interpretation requires PFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value.

4. IFRIC 9, *Reassessment of Embedded Derivatives.* The Interpretation clarifies whether an entity should reassess whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract is recognized. It concludes that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Company has no such transactions, this interpretation did not have any effect on the financial statements.

5. IFRIC 10, *Interim Financial Reporting and Impairment.* IFRIC 10 addresses an inconsistency between PAS 34, Interim Financial Reporting and the impairment requirements relating to goodwill in PAS 36, Impairment of Assets and equity instruments classified as available for sale in PAS 39 Financial Instruments: Recognition and Measurement. The Interpretation states that the specific requirements of PAS 36 and PAS 39 take precedence over the general requirements of PAS 34 and, therefore, any impairment loss recognized for these assets in an interim period may not be reversed in subsequent interim periods. The adoption of this interpretation did not have any effect on the financial statements of the Company.

2.6 Future Changes in Accounting Policies

The following are the new accounting standards, amendments to existing standards and interpretations that will become effective subsequent to 2007.

- PFRS 8, *Operating Segments* which will be effective for annual periods beginning on or after January 1, 2009 adopts a management approach to reporting segment information. PFRS 8 will replace PAS 14, *Segment Reporting.*
- Amendment to PAS 23, *Borrowing Costs* which will be effective for annual periods beginning on or after January 1, 2009.
- Amendment to PAS 1, *Presentation of Financial Statements*, which will be effective for annual periods beginning on or after January 1, 2009, introduces new disclosures to aggregate information in the financial statements on the basis of shared characteristics. Additional disclosures required by this amendment will be included in the financial statements when this amendment is adopted.
- Amendment to PAS 32 and PAS 1, *Puttable Financial Instruments*, which will be effective for annual period beginning on or after January 1, 2009). The amendment to PAS 32 requires certain puttable instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to PAS requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact the financial statements of the Company.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, which will be effective for annual periods beginning on or after January 1, 2008).
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, which will become effective on July 1, 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this interpretation will have no impact on the Company's financial statements as no such schemes currently exist.
- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction which will be* effective for annual periods beginning on or after January 1, 2008.

2.7 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.

2.8 Financial Assets and Financial Liabilities

Financial assets within the scope of PAS 39 are classified as either, financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, available-for-sale (AFS) investments, or loans and receivables, as appropriate. Financial liabilities on the other hand are classified as either financial liabilities at FVPL or other liabilities, as appropriate. The Company determines the classification of its financial assets and financial liabilities at initial recognition and where allowed and appropriate, reevaluates this designation at each financial year end.

Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs, if any, are included in the initial measurement of financial assets and financial liabilities, except for any financial instruments measured at FVPL. The Company recognizes a financial asset or financial liability in the balance sheet when it becomes a party to the contractual provision of the instruments. All regular way purchases and sales of financial asset are recognized on the trade date, i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the settlement date.

Determination of Fair Value
The fair value for financial instruments traded in active markets at 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 ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not 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 include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Financial Assets and Financial Liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial instruments held for trading and financial instruments designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as FVPL if they are required for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. The mark-to-market loss on the derivative is included in the income statement under "Foreign exchange gain (loss) " account.

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value are reflected in the statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right of the payment has been established.

The Company has no financial asset and financial liability at FVPL as of March 31, 2008 and 2007.

Held-to-Maturity (HTM) Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities which the Company's 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 investments. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less any 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. Gains and losses are recognized in the statement of 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 income. The effects of restatement of foreign currency-denominated HTM investments are recognized in the consolidated statement of income.

As of March 31, 2008 and December 31, 2007, the Company has no HTM investments.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale, and are not classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVPL. This accounting policy applies primarily to the Company's receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate 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. The amortization is included under interest income account in the statement of income. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of March 31, 2008 and December 31, 2007, the Company has no non-derivative financial assets categorized as loan and receivables.
Available-for-Sale (AFS) Investments

AFS investments are those non-derivative investments which are designated as such or do not qualify to be classified as designated financial assets or financial liabilities at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported under the Equity section of the consolidated balance sheet, if any.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Where the Company holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the consolidated statement of income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the statement of income and expenses.

Other Financial Liabilities
Other financial liabilities include: notes payable; trade and other payable; and long-term debt. These are initially recognized at cost being the fair value of the consideration received less directly attributable transaction costs.

Gains and losses are recognized in the statement of income when the liabilities are derecognized, as well as through amortization process.

Derecognition of Financial Assets and Liabilities

Financial Assets

Financial instruments are recognized in the financial statements when the Company becomes a party to the contractual provisions of the instrument. A financial asset (or where applicable, a part of a group of similar financial assets) is derecognized when:

- The right 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 assets and has neither transferred nor retained substantially all the risk and rewards of the assets, the assets are recognized to the extent of the Company's continuing involvement in the asset.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is 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. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the balance sheet.

2.9 Trade and Other Receivables

2.9a Trade

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 balance sheet 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.

2.9b Others

This account includes 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 balance sheet date. The Company has no receivables from subsidiaries and receivables from related parties during the period.

2.10 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable 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 condition are accounted for as follows:

2.10a 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.

2.10 b Raw Materials

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

2.11 Investment in Subsidiary

Upon the adoption of PAS 27, "Consolidated and Separate Financial Statements" in the beginning of the year 2005, the Company changed its accounting method to account for its 100% investment in its subsidiary, 102 E. Delos Santos Realty Co., Inc., from equity method to cost method. A subsidiary is an entity that is controlled by another entity known as the parent company.

Subsidiary is an entity over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than 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.

2.12 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.

2.13 Impairment of Non-financial Assets

The company performs impairment review on assets on an annual basis or more fequently if events or changes in circumtances indicate that the carrying values maybe impaired. If the carrying values of the assets exceed the estimated recoverable amount, the assets are written down to their recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price. Estimating the value in use requires the company to make an estimate of the expected future cash flows from the asset and also to choose a suitable period and discount rate in order to calculate the present value of those cash flows. An impairment is recognized only if the carriying amount of an asset exceeds its recoverable amount. An impairment loss, if any, is charged to the operations in the period in which it arises.

There is no impairment loss recognized on the company's assets in the financial statements for the period March 31, 2008 and 2007.

2.14 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.

2.15 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.

2.16 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.

2.17 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 receive or receivable, excluding any trade discounts, prompt payment discounts and volume rebates.

Rental income
Rental income is recognized in the income statement 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. 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 contain a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement conveys a right to use the asset.

Company as a Lessee. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Company as a Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

2.18 Borrowing Costs

The Company accounts its borrowing costs as expenses in the period in which they are incurred, except to the extent that they are capitalized. Accordingly, interest on loans used to finance capital expenditures is capitalized as part of the cost of the property during the installation/construction period. Under PAS 23, capitalization of borrowing cost as part of the cost of an asset commences when:

- expenditures of the asset are being incurred;
- borrowing costs are being incurred ; and
- activities to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

2.19 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.

2.20 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 balance sheet 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.

2.21 Income Taxes

The Company adopted the Philippine Accounting Standards (PAS)/International Accounting Standards (IAS) No. 12, "Income Taxes" which prescribes the accounting treatment and deferment of income taxes. The standard requires the use of a balance sheet liability method in accounting for deferred tax liability and, subject to certain conditions, deferred tax asset for all temporary differences with certain exceptions. The standard provides for the recognition of deferred tax asset when it is possible that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of a deferred tax liability with respect to asset valuations.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is not longer probable that the related tax benefit will be realized.

The income tax for the quarter ended 31 March 2008 and 2007 were estimates and unaudited. The final tax for the year are recomputed and audited by the external auditor of the company.

2.22 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.

2.23 Business Segment Information

The Company is primarily engaged in manufacturing pharmaceutical products whether for domestic and export sales (see Note 20.2) that constitute the Company's reportable segments, which is consistent with how the Company's management internally disaggregates financial information for the purpose of making internal operating decisions and evaluating performance.

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.

2.24 Related Party Transactions

Parties are considered to be related if one of the parties has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities.

2.25 Interim Financial Data

The interim financial data as of March 31, 2008 and 2007 are unaudited; however, the interim data include all adjustments consisting only of normal recurring adjustments necessary for a fair statements of the results for the interim period.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparations of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affects the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. The following presents a summary of these significant accounting judgments, estimates and assumptions.

3.1 Judgments

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

Classification of Financial Instruments
The Company classifies a financial instrument, or its component parts, on initial recognition, as a financial assets, 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 balance sheets.

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 the company's legal counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these procedures.

3.2 Estimates and Assumptions

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

Estimated Allowance for Impairment Losses on 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.

Allowance for impairment loss on trade receivables amounted to P24,452,572 in 2008 and 2007. Total receivables, net of allowance for impairment loss, amounted to P766,791,934 and P792,133,157 as of March 31, 2008 and 2007, respectively (see Note 5).

Estimated Useful Lives of Property 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 carrying values of property and equipment as of March 31, 2008 and 2007 are disclosed in Note 9.

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. 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 property, plant and equipment as of March 31, 2008 and 2007.

3.3 Income Taxes

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 balance sheet date.

Deferred tax. Deferred tax is provided using the balance sheet liability method on temporary difference at the balance sheet 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 balance sheet 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 are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets 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 substantially enacted at the balance sheet 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.

The income tax for the quarter ended 31 March 2008 and 2007 were estimates and unaudited. The final tax for the year are recomputed and audited by the external auditor of the company.

3.4 Provisions

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, or 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 an interest expense.

3.5 Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when inflows of economic benefits are probable.

3.6 Events After the Balance Sheet Date

Post year-end events that provide additional information about the Company's position at the balance sheet 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.

4. Cash and Cash Equivalents

This account consists of:

	March 31, 2008	2007
Cash on hand	P 178,210	P 368,741
Cash in banks	282,831,636	299,195,731
Revolving fund	1,561,678	1,541,678
	P 284,571,524	P 301,106,150

Cash in bank earn interest at the respective bank deposit rates.

The following are the details of US$ savings deposits as of March 31, 2008 and December 31, 2007:

	March 31, 2008	2007
Cash on hand and in banks	$1,626,957.81	$1,160,674.55
Exchange rate	41.870	41.041
Amount in peso	P 68,120,724	P 47,635,244

5. Trade and Other Receivables

This account consists of:

	March 31, 2008	2007
Trade		
Private	613,761,259	666,602,397
Government	151,183,727	148,161,477
	764,944,986	814,763,874
Others	1,846,948	1,821,855
	766,791,934	816,585,729
Less: Allowance for doubtful accounts	24,452,572	24,452,572
	742,339,362	792,133,157

Other receivables

This represents dividends receivable ad other non-trade receivable.

The allowance for doubtful accounts relates to trade receivables. No allowance was provided on other receivables. The movement in the allowance for doubtful accounts follows:

	March 31, 2008	2007
Balance at beginning of year	24,452,572	20,799,364
Charges	-	3,653,208
Balance at end of year	24,452,572	24,452,572

6. **Inventories**

The account consists of:

	March 31, 2008	2007
Raw materials	P 178,395,518	P 156,073,480
Finished goods	377,121,397	315,105,570
	P 555,516,915	P 471,179,050

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

- Declines subsequent to balance sheet 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 noncancellable commitments for the future purchase of inventory items should, if material, be recognized in the accounts and separately disclosed in the income statements);
- The amount of any substantial and unusual write downs.

The estimated net realizable value of inventories are as follows:

	March 31, 2008	2007
Raw materials	P 497,755,352	P 269,920,003
Finished goods	505,073,300	462,989,050
	P 1,002,828,652	P 732,909,053

7. **Other Current Assets**

The account consists of:

	March 31, 2008	2007
Prepaid marketing development	P 27,813,444	P 28,119,787
Creditable withholding VAT/TAX	9,610,796	9,333,853
Bidders and performance bond	14,637,792	12,827,453
Advances to officers and employees,housing and car loans	11,555,369	11,071,560
Advances and deposits	16,730,195	20,115,710
Input tax	13,784,947	5,627,543
	P 94,132,543	P 87,095,906

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.*

Creditable witholding VAT *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 Witholding VAT from these customers.*

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.*

Advances to officers and employees *refers to advances for company expenses which are subject to liquidation by concernced 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,*

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

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 imporation of goods or local purchases of goods and for services, including lease or use of property, from a VAT – registered person. These are creditable agains 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.*

8. Investment in Subsidiary

The movement of the Company's investment in subsidiary is presented below:

	March 31, 2008	2007
Balance, January 1	P 82,356,940	P 82,356,940
Cumulative effect due to change in accounting policy from equity to cost method under PAS 27		
Adjustment on investment	-	-
	P 82,356,940	P 82,356,940

9. Property, Plant and Equipment

The roll-forward analysis of this account follows:

March 31, 2008

	Land and Land improvements	Building and improvements	Machinery and equipment	Transportation equipment	Total
COST					
At 1 January 2008	39,693,201	373,205,791	4,441,485,750	12,751,750	4,867,136,492
Additions	-	4,468,433	12,958,087		17,426,520
Retirements/disposals	-	-	-		-
Reclassification and others	-	-	-	-	-
AT 31 MARCH 2008	39,693,201	377,674,224	4,454,443,838	12,751,750	4,884,563,012
ACCUMULATED DEPRECIATION AMORTIZATION AND IMPAIRMENT LOSS					
At 1 January 2008	11,203,909	124,914,782	1,032,113,231	9,666,277	1,177,898,199
Depreciation, amortization, and impairment loss	187,414	3,039,166	38,765,712	140,540	42,132,832
Retirements/disposals	-	-	-	-	-
Reclassification and others	-	-	-	-	-
AT 31 MARCH 2008	11,391,323	111,704,458	1,070,878,943	9,806,817	1,220,031,031
NET BOOK VALUE AS OF 31 MARCH 2008	28,301,878	265,969,766	3,383,564,895	2,944,933	3,664,531,981

	Land and Land improvements	Building and improvements	Machinery and equipment	n equipment	Total
COST					
At 1 January 2007	39,693,201	370,134,786	4,361,039,022	11,501,750	4,782,368,758
Additions	-	3,071,005	80,446,728	1,250,000	84,767,734
Retirements/disposals	-		-		-
Reclassification and others	-	-	-	-	-
AT 31 DECEMBER 2007	39,693,201	373,205,791	4,441,485,750	12,751,750	4,867,136,491
ACCUMULATED DEPRECIATION AMORTIZATION AND IMPAIRMENT LOSS					
At 1 January 2007	10,454,255	111,704,458	880,216,844	9,342,755	1,011,718,312
Depreciation, amortization, and impairment loss	749,654	13,210,324	151,896,387	323,522	166,179,888
Retirements/disposals	-	-	-	-	-
Reclassification and others	-	-	-	-	-
AT 31 DECEMBER 2007	11,203,909	124,914,782	1,032,113,231	9,666,277	1,177,898,199
NET BOOK VALUE AS OF 31 DECEMBER 2007	28,489,292	248,291,009	3,409,372,519	3,085,473	3,689,238,292

Depreciation expense for the three months ended March 31, 2008 and 2007 amounted to P 42,132,830 and P41,556,843 respectively, broken down as follows:

	March 31, 2008	March 31, 2007
Charged to:		
Factory overhead	**P 40,011,176**	P 39,970,918
Distribution expenses	**1,337,404.25**	1,264,023.00
Admistrative and Selling expenses	**784,250.19**	321,902.00
	P 42,132,830	P 41,556,843

Machinery in progress is included in the machinery and equipment amounting to P1,310,818,948 in 2008 and in 2007.

Certain real estate and machines were used as collateral for long-term borrowings (See note 12).

10. Other Non-Current Assets

The account consists of:

	March 31, 2008	2007
Deferred income tax	P 8,049,568	P 8,049,568
Available-for-sale securities	344,000	344,000
Patents/Rights	959,449	987,184
Prepaid marketing development expense	111,253,776	112,479,150
Advances and deposits, housing and car loans	-	
(realizable beyond the next 12 month period)	28,741,289	27,127,189
	P 149,348,082	P 148,987,091

Deferred income tax refers to the deferred income tax on allowance for bad debts.

Available-for-sale securities are the Company's investment in PLDT shares and Casino Español de Manila. As of 31 March 2008, the fair value of the said investments equal its year-end book value.

The account consist of:

	March 31, 2008	2007
Philippine Long Distance Tel. Corp.(PLDT)	P 144,000	P 144,000
Casino Español 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 tradenames and trademarks with the Department of Trade – Bureau of Patents, Trademarks and Technology (BPTTT).

Movement in Patents/Rights account during the period 31 March 2008 and 2007 are as follows:

	March 31, 2008	2007
Balance, beginning	P 987,184	P 1,098,123
Additions during the year		-
Amortizations during the period	27,735	110,939
Balance, ending	P 959,449	P 987,184

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 current assets-others.

The account *advances and deposits* pertain to advances to suppliers for company expenses which are subject to liquidation beyond the next twelve (12) month period from balance sheet 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.

11. Trade Accounts Payable

The account relates to the outstanding payables to the Company's suppliers of raw materials and other services. As of balance sheet date, the balances amount to P54,856,981 and P67,111,043 for the March 31, 2008 and 2007, respectively.

12. Notes Payable

The account consists of:

	March 31, 2008	2007
Current	P 1,318,616,666	P 1,407,266,667
Non-current	585,999,999	585,999,999
	P 1,904,616,665	P 1,993,266,665

Notes payable-current represents the Company's net availments from the Omnibus Credit lines granted by various local banks in the aggregate principal amount of P1,318,616,666 and P1,407,266,667 in 2008 and 2007 respectively. The proceeds of the loans were used for working capital and capital expenditures. 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 P 226,700,001 in 2008 and P302,266,667 in 2007.

Notes payable - noncurrent 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 balance sheet date, total long-term loans are presented net of current maturing portion as follows:

	March 31, 2008	2007
Long-term loans	P 812,700,000	P 888,266,666
Current portion of long-term loans	226,700,001	302,266,667
	P 585,999,999	P 585,999,999

The current portion of the long-term loans pertains to the amount of the liability due within one year following the close of the balance sheet 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 balance sheet date follows:

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

The titles of real estate properties were not restricted.

13. **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:

- No margin deposit at opening of letters of credit.
- Foreign exchange conversion at prevailing bank rate.
- 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.

14. Other Current Liabilities

The account consists of:

	March 31, 2008	2007
Accrued expenses	P 17,413,217	P 974,936
Agency payable	14,120,185	23,005,301
	P 31,533,402	P 23,980,237

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

Agency payable account consists of:

	March 31, 2008	2007
SSS/Pag-ibig/Philhealth premium and loans	P 1,812,630	P 396,027
BIR withholding taxes and VAT payable	12,307,555	22,609,274
	P 14,120,185	P 23,005,301

15. Deferred Credits

This represents advance rental and refundable deposits amounting to P 2,700,000 and 5,400,000 for 2008 and 2007 respectively.

16. Provisions and Contingencies

Provisions are recognized only when the company has (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c)a reliable estimate can be made of the amount of the obligation. 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 interest expense. Where the company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

As of March 31, 2008 the company had a total of fifty(50) pending cases, forty(45) of which were filed for the collection of various amounts for bouncing checks. The aggregate amount claimed for the same is approximately P10.2 million. Three(3) of these cases not filed by the company are Insolvency Proceedings against customers for which the company have pending claims for payments. Of the remaining two(2) cases, the first case is a BFAD administrative case that has been archived. The second case is a civil suit in the amount of approximately P1.2 million for unpaid supplies filed by a private complainant for the collection of sum of money against a contractor which constructed a building for the company. The case is now on appeal by petition for review filed in behalf of Euro-Med on January 2007 with the Supreme court.

The company had filed a Petition for Review with the Court of Tax Appeals on 6 October 2005 appealing the Decision of the Deputy Commisioner, Bureau of Internal Revenue (BIR),denying our protest on their assessment of P258.7 million as deficiency taxes(inclusive of penalties, surcharges and interest) for the year 2000. The company have filed tax amnesty return on October 2, 2007, pursuant to Republic act. No. 9480 (RA# 9480) which became effective on June16,2007. The benefits and priviledges of this law are: