

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 . A N D S U B S I D I A R I E S

(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

1 2 3 1
Month Day

Fiscal Year

2 0 1 4

1 7 A

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-A

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

1. For the fiscal year ended Dec. 31, 2014
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 6. (SEC Use Only)
(Province, country or other jurisdiction of Industry Classification Code:
incorporation or organization)
7. 1000 United Nations Avenue cor. San Marcelino St., Manila 1000
Address of principal office 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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock	4,112,140,540 shares

EURO-MED LABORATORIES PHIL., INC.
ANNUAL REPORT TO STOCKHOLDERS

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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 []

13. The aggregate market value of the voting stock held by non -affiliates of the registrant amounted to P 570,678,158 (based on closing market price on March 16, 2015 of P 1.33 per share).

PART I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

History and Background

Euro-Med Laboratories Phil., Inc. (Euro-Med) was incorporated and registered with the Securities and Exchange Commission (SEC) on January 29, 1988. Upon receipt of the licenses and product registration approvals from the Food and Drug Administration Philippines (FDA), Euro-Med began commercial production in 1991. The parent Company (Euro-Med) is engaged in the manufacture of pharmaceutical products such as large and small volume parenterals and other solutions. Large volume parenterals (LVP) are more commonly known as intravenous fluids. Intravenous fluids are defined as any fluid applied directly into the vein. LVP are packaged in containers of more than 100 mL while small volume parenterals (SVP) are injections that are packaged in containers of 100 mL or less. SVP may also be used as a solvent for other drugs. The Company also manufactures sterile water for injection, and other solutions such as ophthalmic, inhalation, irrigation and dialysis. The Company is the largest manufacturer of high quality intravenous fluids in the Philippines. Euro-Med is the parent company of the following two (2) subsidiaries:

1. Hemotek Renal Center, Inc. (Hemotek /the Subsidiary), a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center.
2. 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.

Previously, Euro-Med has a subsidiary entity, 102 E. Delos Santos Realty Co., Inc. (102 EDSA), a 100% owned firm acquired in May 2000 which is engaged in the rental of property. 102 EDSA's only real property, a 10,936 square meter lot located at the corner of E. Delos Santos Ave. and Madison Street, Mandaluyong City is being rented to Euro-Med and expired on June 30, 2014.

On May 9, 2012, Euro-Med entered into a Share Purchase Agreement and sold all its shares of stock in 102 E. De Los Santos Realty Co.Inc. to SM Development Corporation (SMDC) for a total selling price of P1.25 billion. A 50% downpayment of the total selling price, equivalent to P625.0 million, was received on May 9, 2012 and the remaining balance of P625.0 million will be paid at the end of the thirty-sixth (36th) month from the signing of the Agreement or any other date as the parties may agree in writing.

Transfer of the shares to SMDC is expected to occur at the agreed closing date and turn-over of 102 EDSA's land devoid of any improvements thereon. Improvements on the land were demolished in October 2014 and the land was turn-over to SMDC on November, 2014.

The sale of all the shares of 102 EDSA to SMDC was authorized, approved and ratified by the stock holders during the annual shareholders' meeting held on June 20, 2012.

The Company is 58.41% owned by its ultimate parent company, U.S. Automotive Co. Inc., which is also incorporated in the Philippines.

The Company has not at anytime been involved in any cases of bankruptcy, receivership or other similar proceedings.

Products

Presently, the company manufactures and distributes a wide range of parenteral products in various sizes ranging from 1mL to 1000mL. Parenteral products are considered unique because they are administered by injection through the skin or mucous membrane into internal body compartments. Parenteral products must be free from microbial contamination and toxic components, and an excep-

tionally high level of purity of the dosage form must be achieved. For this reason, the preparations of parenteral products have become a highly specialized area in pharmaceutical manufacturing.

The parenteral solutions manufactured by Euro-Med in plastic containers are all in parenteral-grade low-density polyethylene (LDPE) containers. The plastic containers are unbreakable and lightweight. Euro-Med's plastic container does not require air introduction in order to be dispensed which prevents particle contamination of the solution. Gravity and atmospheric pressure pressing on the container allows the fluid to flow out of the container.

Euro-Med also manufactures parenteral solutions in glass packaging. The glass container enables the solution to be seen at its clearest, facilitating inspection of content. Graduations can be read quite easily because of its rigidity.

All Euro-Med products are duly registered with the Food and Drug Administration (FDA) formerly BFAD prior to its release in the market. More products in various stages of development will be introduced in the market to broaden the Company's product line.

Large Volume Parenterals

LVP apply to single dose injections intended for intravenous use and are packaged in containers labeled as containing more than 100 mL. Euro-Med manufactures LVP in plastic containers in 500mL and 1000mL sizes. Euro-Med also manufactures LVP in glass bottles in 250mL, 500mL and 1000mL sizes. In many cases, patients are given LVP shortly after they have been admitted to the hospital to provide the necessary fluids and caloric or electrolyte requirements. Ready access to the venous system also becomes available in case additional medication is required. An intravenous injection is made when immediate physiological action is needed from a drug.

Small Volume Parenterals

SVP apply to injections that are packaged in containers labeled as containing 100mL or less. Euro-Med presently markets products in 20mL, 25mL and 50mL multiple dose plastic vials and 1 mL, 2 mL, 2.5 mL, 3 mL, 4 mL, 10 mL, and 20 mL plastic ampoules. Euro-Med's container of plastic vials has a rubber stopper which permits the insertion of a needle from a hypodermic syringe and the withdrawal of part of the solution.

Specialty Fluids

These fluids may or may not be intravenous products used for surgical and non-surgical procedures. Dialysis Solutions are used in the management of renal failure and poisoning. They allow the selective removal of toxic substances, electrolytes and excessive body fluids from the blood. In peritoneal dialysis, the exchange of ions between the solution and the patient's blood is made across the membranes of the peritoneal cavity. Peritoneal Dialysis Solutions may be used for the treatment of acute or chronic renal failure and are not to be used intravenously. Haemodialysis Solution is a concentrated solution of electrolytes in Water for Injection. It is formulated such that when the concentrated solution is diluted in the prescribed manner, the electrolyte content will be similar to that of extracellular fluid or plasma. It is used in the management of renal failure and poisoning by allowing the selective removal of toxic substances, electrolytes, excess body fluids and metabolites such as urea, creatinine and uric acid. The Irrigation Solutions are sterile solutions intended to bathe and flush open wounds or body cavities. They are used topically and not parenterally. The Mannitol Injection is an osmotic diuretic that promotes the excretion of water. It may be used in the treatment of patients to reduce raised intraocular pressure, to reduce or prevent cerebral edema or for the treatment of acute renal failure.

Other Drug Preparation

Euro-Med has launched several new oral drug preparations in syrup and suspension form. Euro-Med has also introduced new products for Nebulization and injection packaged in plastic ampoules.

Medical Devices

In April 2006, Hospira Philippines Inc. appointed Euro-Med as its exclusive distributor of Hospira Venisystem products such as Venipuncture sets, IV Administration sets, and IV Equipment in the Philippines. Hospira will transition their Venisystem gravity sets to Lifeshield Non-DEHP gravity sets. It will also launch new line extension to their gravity Venisystem range which will also be made of non-DEHP materials. The distribution agreement is valid until the end of March 2008 and is being renewed automatically for one(1) year period.

The Products that are now available in the market are:

1. Lifeshield MacroDip Non-DEHP
2. Lifeshield MacroDip with Clave
3. Lifeshield Soluset Burette Non-DEHP
4. Lifeshield Microdrip w/ Clave
5. Lifeshield Microdrip Non-DEHP
6. Lifeshield Blood Set Non-DEHP
7. Lifeshield Blood Set Y-Type with Cylinder Pump

Limulus Amebocyte Lysate (LAL) Test

The LAL test is an endotoxin test derived from the blood of the Horseshoe Crab (*Limulus Polyphemus*). Endotoxins are lipopolysaccharide fractions of the cell wall of gram-negative bacteria, which have been found to be pyrogenic, or substances which cause fever, chills and body aches.

The LAL test is a sensitive and fast method for detection of endotoxins. It is routinely used to determine if the intravenous solutions are free from pyrogens. Prior to the availability of the LAL test in the Philippines, the only acceptable means of measuring pyrogenicity was through the rabbit pyrogen test. However, the rabbit pyrogen test cannot quantify the amount of pyrogens present in the test solution. Through the pioneering efforts of Euro-Med, the BFAD has accepted and accredited the LAL test as an alternate to the rabbit pyrogen test.

Since 1991, the Company has been the exclusive distributor of the LAL test in the Philippines for Associates of Cape Cod Incorporated of Massachusetts, U.S.A. The exclusive distributorship is valid until the end of 2003 and is automatically renewed every two (2) years.

Bottled Water

Euro-Med has launched its own brand of distilled drinking water in various sizes ranging from 350 mL to 4000 mL. These products are manufactured from its plant in Cavite to ensure high quality bottled water.

Toll Manufacturing

Euro-Med is engaged in the toll manufacturing of pharmaceutical products in solid and liquid form.

Euro-Med's Cavite plant has equipment to manufacture liquid and semi-liquid cosmetic and health-care products in 3 mL to 50mL plastic blister packs. The Cosmetic and Healthcare Division of the Company offers toll-manufacturing services to both local and multinational companies.

Effects of existing or probable governmental regulations on the business

Pharmaceutical products in the Philippines are required to be registered with the FDA before the products can be sold. Product registration procedures are also required in other countries where the Company intends to sell its products. The time it takes to register a product can take from six (6) months to several years from the date of filing depending on the FDA or the similar foreign counterpart. Any significant delay in the registration of new products with the FDA could affect the Company's financial performance. The Company is not aware of any probable governmental regulation, which will have a significant effect on its business.

Transactions with or/an dependence on related parties

The group, in the regular course of business, transact with related parties, which may consist but not limited to the following:

- Purchase of goods and services.
- Cash advances for working capital purposes.
- Lease of the Company's main office from the ultimate parent of the group.
- Regular bank transactions with an affiliate.
- The parent company provides management and accounting consultancy services to its subsidiaries.

See Note 20 to Consolidated Financial Statements for detailed transactions with Related Parties.

Patents, trademarks, licenses, franchises, concessions, or royalty agreements including duration:

The Company's wide range of parenteral and other pharmaceutical products are all registered with BFAD now Food and Drug Administration (FDA) with the corresponding Certificate of Product Registration (CPR). The term of these CPRs ranges from two (2) to five (5) years, and are renewed regularly.

The Company has also been issued by FDA the following Licenses to Operate (LTO) with a term of one (1) to three (3) years, which are renewed regularly:

1. Drug Manufacturer
2. Medical Device Manufacturer
3. Medical Device Distributor/Importer/Wholesaler
4. Food Manufacturer
5. Drug Trader
6. Drug Distributor/Importer/Wholesaler
7. Bottled Drinking Water Processor / Toll Manufacturer
8. Cosmetic Distributor
9. Food Distributor / Exporter/ Wholesaler

The Company has registered the following tradename and trademarks with the Department of Trade – Intellectual Property Office, Trademarks and Technology Transfer with a term of ten (10) years:

1. EURO-MED
2. EUROPERSOL
3. EURO-ION
4. The Company Logo with three (3) horizontal bars within a circle.
5. Multisol
6. Intrapersol
7. Multi-Ion MB
8. Eurosol-R
9. Eurosol-MK
10. Eurosol- M
11. LM

In 2011, the Company acquired the international trademarks "Lidex®", "Lidemol®", "Synelar®", owned by and registered under the name of Stiefel Laboratories, Inc., (Stiefel US) and "Dobutrex®", owned and registered under the name of Glaxosmithkline Philippines, Inc. (GSKPI) and all registered intellectual property rights associated with these trademarks, through the assignment by Stiefel US and GSKPI of the subject trademarks to the Company.

Employees and labor contract

As of December 31, 2014, Euro-Med (Parent Company) employs a total of 738 employees, consisting of 13 Executive Officers, 85 Managerial and 659 rank and file and casual personnel. There has not been a strike in the company. In a Certification Election on November 4, 1999 held under the supervision of the Department of Labor and Employment (DOLE) – Region IV, Euro-Med Employees Union won and was subsequently certified on November 15, 1999 as the sole and exclusive bargaining agent of regular rank and file employees of Euro-Med Laboratories Phil., Inc. for purposes of collective bargaining. A collective bargaining agreement was (CBA) ratified on March 13, 2009 that would cover the period January 1, 2010 to December 31, 2014. A new CBA was ratified on March 2014 that would cover the period January 1, 2015 to December 31, 2019. Among others, the CBA provide for the following benefits:

- (a) Annual salary increase.
- (b) Birthday, Bereavement, Graduation and Wedding leave with pay.
- (c) Optional retirement after 10 years of service.
- (d) Free uniforms
- (e) Housing and emergency assistance loan

Euro-Med is the Parent Company of two (2) subsidiaries:

1. Hemotek Renal Center, Inc., a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center. This subsidiary has a total of 246 employees as of December 31, 2014.
2. 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. The subsidiary has a total of 435 employees as of December 31, 2014.

Raw Materials

Euro-Med's raw materials are obtained on a competitive basis from various local and foreign suppliers. The Company always maintain at least two (2) or more suppliers of its material requirements, so that it would not be dependent on only one (1) supplier. There are no major existing supply contracts. These materials are vital inputs for producing parenteral solutions and LDPE bottles. Supply shortages or increases in prices of these raw materials will result in an increase in the Company's production cost.

Marketing and Distribution

Industry Data

The Philippine IV Fluid market at present does not have complete information and studies from any independent research institution monitoring the industry's total rated capacity, actual market size and value and competitors.

Current estimates are derived from Company reports extrapolated from data obtained through hospitals, drugstores, clinics and medical associations and thus may differ from other industry reports.

Euro-Med is the leading manufacturer of LVP in the Philippines with about eighty percent (80%) market share in the country (based on Company data). Euro-Med competes with other companies such as Baxter Healthcare Phil., Inc., B. Braun Medical Supplies, Inc., LVP Philippines Inc. and Endure Medical Inc. Euro-Med competes in terms of quality, price, availability, delivery service and customer relations. Euro-Med's continued success in the IV Fluids market can be attributed to its high quality products, wide range of product line, competitive price, availability, efficient delivery and dedicated sales team. The Company has a customer base composed of more than 8,000 institutions nationwide. The Company's sales, therefore, are not dependent on one or a few major customers and no customer accounts for more than ten percent (10%) of the Company's sales. Among the Company's customers are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts. Euro-Med's primary customers are hospitals all over the country.

Hospitals can be either private or government, sub-divided into primary, secondary and tertiary levels, depending on the bed capacity and hospital equipment. In 2014 sales to hospitals and clinics accounted for approximately 66% of total revenues. Sales to drugstores reached 17% while combined revenues from distributors, traders, industrial accounts and laboratories reached approximately 17% of total Company revenues.

On occasion, the Company participates in trade shows, trade fairs and medical conventions to broaden awareness of the existing product lines and to support the medical associations sponsoring these conventions.

Over the years, Euro-Med has established strong and efficient marketing teams, who are deployed all over the country to promote and sell its products. Euro-Med has established its own nationwide distribution network providing prompt and efficient delivery service to customers. The Company maintains fourteen (14) depots strategically located in key cities all over the country. There are currently six (6) depots in Luzon including the Central Warehouse in Cavite, four (4) in Visayas and four (4) in Mindanao. At present, Euro-Med is leasing these provincial depots except Plaridel, Bulacan which is owned by the Company.

To ensure on-time delivery of Euro-Med products to its customers, the Company uses local trucking companies for its nationwide distribution. To transfer finished goods from its Central Warehouse in Cavite plant to the provincial depots specifically in the Visayas and Mindanao areas, Euro-Med utilizes local companies for inter-island shipping.

Exports

Euro-Med is presently exporting its intravenous fluids to several countries and will be expanding its international customer base to include markets in other parts of the world. In 2012, 2013 and 2014, export sales contributed approximately 16%, 15% and 12% respectively of total Company sales. The Company expects this figure to rise in the succeeding years. The Company products are imported and distributed by a local distributor(s) in the respective countries. The breakdowns of exports per region for the past three (3) years are as follows:

REGION	2012		2013		2014	
	P('000)	%	P('000)	%	P('000)	%
ASEAN	₱ 322,239	64.1%	₱ 308,440	69.3%	₱ 294,480	79.9%
Other Asia	69,693	13.9%	23,417	5.3%	14,632	4.0%
Africa	67,001	13.3%	65,073	14.6%	9,205	2.5%
Others	43,829	8.7%	47,934	10.8%	50,305	13.6%
Total	<u>₱ 502,762</u>	<u>100%</u>	<u>₱ 444,864</u>	<u>100%</u>	<u>₱ 368,622</u>	<u>100%</u>

Research and Development

Euro-Med is continuously developing additional pharmaceutical products for ophthalmic, inhalation, irrigation and other health care purposes. In 2012, 2013 and 2014, the Research and Development Department of Euro-Med spent ₱ 21.1 million, ₱ 19.2 million and ₱ 19.3 million respectively to develop new products. The funds were used to purchase raw materials and laboratory equipment to test the new formulations.

Euro-Med's laboratory facilities are equipped with the latest equipment for testing raw materials and finished pharmaceutical products. The laboratory has been certified as an accredited laboratory by the Board of Chemistry of the Professional Regulation Commission. The Company offers analytical laboratory services to other companies for the testing of selected raw materials and pharmaceutical products to maximize the usage of these modern equipment.

properly accounted. The Philhealth officer prepares transmittal form for submission to Philhealth. Checking of payments against transmittal form previously received by Philhealth and verification of Philhealth eligibility are being done in the head office to ensure that all charges to Philhealth are being collected by the Company.

- **Medical Practice Risks**
Hemotek Stand alone units do not accept critical patients and refer these to hospitals. Hemotek Hospital Units risk falls under the management of the hospital.
- **Raw Materials.**
CafeFrance prides itself as the place for fresh and healthy food. Sourcing of the raw materials that go into every CafeFrance product is therefore of paramount importance, requiring a good balance between managing costs and ensuring a reliable, uninterrupted and abundant supply that meet its quality standards for freshness, safety and consistency. The flour that is used in its baked products is imported all the way from France, and all the fresh produce that are used in all the stores go through a careful inspection and selection process, demanding huge man-hours of quality control. As perishable raw materials are susceptible to price fluctuations, it has been a challenge for the Purchasing function to meet demand requirements within cost budgets. Since stock-outs translate to lost revenue, the Company has had to keep a balance between managing margins and biting the bullet to buy these raw materials at higher costs, just to keep the customer relationship and ensure vendor's continuity of supply. One of the strategies being adopted is to go directly to the source of these raw materials to save on middle-men costs, look for substitute raw materials without compromising flavor and quality, and or accredit and maintain more suppliers whose pooled supply capacity can meet our requirements. We have also taken to locking these vendors on supply agreements for a quarter or more, just to manage the cost volatility and reasonably predict and ensure product margins.
- **Stores**
CafeFrance stores are insured against fire, food poisoning, loss of money and securities inside the stores' premises due to robbery or burglary, as well as liability for accidents within the stores' premises. While insurance costs are high, the Company has opted to get a comprehensive insurance coverage to manage its risks from the above incidents, thereby limiting possible losses arising from any of the above incidents.
- **Manpower**
The Company is highly dependent on its human resources, investing heavily in the training of personnel in its stores and its Commissary. All personnel in the commissary are compliant with government-mandated clearances for workers in the food industry, and some of them even have special accreditations and licenses beyond what the government requires. Our coterie of personnel at the stores all went through a rigorous selection process and a uniform service standards training; but beyond the costs of recruitment and training, the Company continues to contend with the industry reality of employee turnover. Employee retention has been a challenge, and to mitigate the risk of possible disruption in our operations arising from sudden employee resignations, the Company has had to rely on outsourced services providers for the steady supply of manpower. Over and above the payroll of the outsourcing service provider, CafeFrance has had to pay a premium for the provider's administration fees, but in so doing, the Company has managed to address the risk of manpower supply as well as the perennial issue on employee turnover.

Item 2 Properties

Cavite Plant

The pharmaceutical manufacturing plant is located on a 36,314 square meter lot located along Aguinaldo Highway, Dasmariñas, Cavite. The plant consists of executive and departmental offices, various meeting rooms, library for reference materials, storage for packaging materials, production facilities, laboratories, four (4) warehouses, a machine shop, power plant, cafeteria and a dormitory for the Company's technical staff. The land, buildings, machinery and equipment are wholly owned by the Company and are mortgaged as collateral for the Company's long term debt. There are no existing limitations on its ownership or usage.

Costs and effects of compliance with environmental laws.

The Company has invested ₱ 1.8 million in capital expenditures for pollution prevention equipment to comply with environmental regulations. Annual expenditures to maintain and operate the pollution facility currently amount to about ₱ 2.0 million. The Company adopts a proactive approach to environmental standards and its facilities are constructed to high standards.

Major business risks

- **Raw materials**

At present, Euro-Med's raw materials are primarily sourced from other countries. These materials are initial inputs for producing parenteral solutions and LDPE bottles. Supply shortages or increases in world prices of these raw materials will result in an increase in the Company's production cost. The Company always maintain at least two (2) or more suppliers of its material requirements, so that it would not be dependent in only one (1) supplier and to provide room for negotiating prices for three (3) months, six (6) months or one (1) year contracts.

- **Product registration**

Pharmaceutical products in the Philippines are required to be registered with the BFAD before the product can be sold. Product registration procedures are also required in other countries where the Company intends to sell its products. The time it takes to register a product can take from six (6) months to several years from the date of filing depending on the BFAD or the similar foreign counterpart. Any significant delay in the registration of new products with BFAD could affect the Company's financial performance. The Company has employed a full-time regulatory officer to follow-up applications for product registrations.

- **Foreign Exchange**

Most of Euro-Med's raw materials are imported from various sources abroad. Payment for these imports are made in U.S. Dollars. As such, any significant depreciation of Philippine Peso against the U. S. Dollar may affect the Company's margins and profitability. The Company is continuously expanding its export sales to different countries to increase its U.S. Dollar revenues as a hedge to currency fluctuations. The company has exposures in foreign currencies, primarily in US dollars. Foreign exchange risk arises from difference in exchange rates between assets, liabilities and equity which are denominated in foreign currency. The company manages this risk by having peso denominated loans only and maintaining US\$ accounts where export proceeds are maintained from which payments for imports are made

- **Medical Supplies**

At present, Hemotek's medical supplies are primarily sourced from local suppliers which act as distributors of other countries. These supplies are used mainly for the patient's dialysis treatment and other medicines as needed during the treatment. Increase or decrease in prices of supplies affects the dialysis rates and medicines. To avoid sudden price changes, the Company always maintains at least three (3) or more suppliers of its item of medical supplies to provide room for negotiation of prices.

- **Receivables from Philippine Charity Sweepstakes Office (PCSO)**

Some dialysis patients are receiving Guaranty Letters (GL) as government assistance from PCSO. Consumption of GL amount is monitored daily per patient to avoid overcharge to PCSO GL. Once GL amounts are fully consumed by the patient, statement of account (SOA) is prepared and submitted to PCSO for the processing of payment to the Company. Constant monitoring of PCSO receivable is needed for the preparation of SOA which will serve as the basis of PCSO for the payment of the Company's receivable.

- **Receivables from Philippine Health Insurance Corp. (Philhealth)**

The company accepts patients which are Philhealth members. These receivables are monitored per patient both in the head office and in branches so that all charges reimbursable from Philhealth are

Bulacan Depot

Euro-Med acquired a 2,500 square meter commercial lot along the National Highway in Plaridel, Bulacan. A 1,900 square meter warehouse with a two-storey office building was constructed and completed in July 1997. The land and building are wholly owned by the Company and are mortgaged as collateral for the Company's long term debt. There are no existing limitations on its ownership or usage.

Properties/Offices under lease

The Company leases the following properties:

- (a) The Company's head office at the PPL Building, United Nations Avenue corner San Marcelino Street, Manila from U. S. Automotive Co., Inc., a majority stockholder of the company. The lease is for a one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent for the year 2014 amounted to ₱ 19,822,440.
- (b) The Company's twelve (12) depots which are located strategically in key cities all over the country. The lease contracts are for a one (1) year period and are being renewed annually subject to mutual agreement of the parties. The rent for the year 2014 amounted to P 12.6 million
- (c) The Company's warehouse located in Silang, Cavite. The lease contract is for 5 year period and is subject to renewal upon mutual agreement of the parties. The rent for the year 2014 amounted to P 24.9 million.

The Company has no plans to acquire any property in the next twelve (12) months.

ITEM 3 Legal Proceedings

The Company is subject to lawsuits and legal actions in the ordinary course of business. The company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company's financial position or results of operations.

As of December 31, 2014, the Company had a total of forty-nine (49) pending cases, three (3) criminal cases against employees and forty-one (41) of which were filed by Euro-Med in various dates and courts in the Philippines against its customers for the collection of various amounts and/or bouncing checks, and a case filed by a former employee in the labor Relations Commission. The aggregate amount claimed for all cases and labor is approximately P 11.8 million which is less than 1% of the group's current assets. The remaining other cases are insolvency cases by clients where Euro-Med has pending accountabilities.

Item 4 Submission of Matters to a Vote of Security Holders

There was no matter submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Issuer's Common Equity and Related Stockholder Matters

1.) Market Information

Euro-Med's common shares are publicly listed with the Philippine Stock Exchange.

The high and low sales prices of the shares are:

2015		HIGH	LOW	
1 st Quarter	P	1.33	P	1.31
2014		HIGH	LOW	
1 st Quarter	P	1.81	P	1.26
2 nd Quarter		1.77		1.66
3 rd Quarter		2.02		1.55
4 th Quarter		1.75		1.06
2013		HIGH	LOW	
1 st Quarter	P	2.32	P	1.7
2 nd Quarter		2.25		1.72
3 rd Quarter		2		1.53
4 th Quarter		1.73		1.01
2012		HIGH	LOW	
1 st Quarter	P	3.8	P	1.29
2 nd Quarter		2.27		1.72
3 rd Quarter		2.19		1.87
4 th Quarter		1.85		1.8

The market price per share of Euro-Med is ₱ 1.33 on March 16, 2015 (the latest practicable trading date before submission of the report).

2.) Holders

As of March 31, 2015, the Company has on record a total of 555 stockholders with a total of 4.112 Billion issued and outstanding shares. The top twenty (20) stockholders are as follows:

<u>Stockholder's Name</u>	<u>Total Shares</u>	<u>%</u>
1 U.S. AUTOMOTIVE CO., INC.	2,401,747,112	58.41%
2 USAUTO CO., INC.	855,505,147	20.80%
3 PHILIPPINE TRUST COMPANY	231,124,845	5.62%
4 PHILIPPINE TRUST COMPANY (Trust Department)	133,986,446	3.26%
5 EVERGREEN STOCK BROKERAGE	298,725,323	7.26%
6 YAP, JOHNNY C.	36,980,720	0.90%
7 YAP III, EMILIO C.	35,695,668	0.87%
8 YAP, NICHOL C.	35,695,668	0.87%
9 YAP, ENRIQUE RAYMOND I.	16,067,839	0.39%
10 YAP, MICHAEL VINCENT Y.	15,257,017	0.37%
11 YAP, JR. ENRIQUE Y.	15,000,000	0.36%
12 PCD NOMINNE CORP. (FIL)	10,338,028	0.25%
13 ILUSORIO, ROBERTO HAVEL K.	5,000,000	0.12%
14 ILUSORIO, CARLO DANIEL K.	5,000,000	0.12%
15 EVIDENTE, GEORGIANA S.	1,285,052	0.03%
16 MARAMBA, TOMAS P.	1,285,052	0.03%
17 COHU, MARSHALL COHU ITF: MARC C. ALLAN	822,430	0.02%
18 COHU, MARSHALL COHU ITF: DANICA MARIE C.	616,823	0.02%
19 COHU, MARSHALL COHU ITF: DIANNE BERNICE C.	616,823	0.02%
20 GOLDCLASS INC.	586,617	0.01%

3.) Dividends

The Company declared the following dividends for the past three (3) years:

<u>Year</u>	<u>Kind</u>	<u>Amount</u>	<u>Rate</u>	<u>Record Date</u>
2012	Cash	123.36 Million	3.00%	June 13, 2012
2013	Cash	205.60 Million	5.00%	June 20, 2013
2014	Cash	205.60 Million	5.00%	June 19, 2014

The Company has not restricted any portion of its retained earnings for future expenses, contingencies or other purposes.

4.) Recent Sales of Unregistered or Exempt Securities, Including recent issuance of Securities Constituting an Exempt Transaction.

For the past three (3) years the registrant has not sold securities which were not registered under the Code. There was no sales of reacquired securities, as well as securities issued in exchange for property, service and other securities, resulting from the modification of outstanding securities.

The Company has issued two hundred sixty-nine million (269,018,540) shares on July 12, 2011 as an exempt transaction under Section 10.1(d) of Securities Regulation Code. The issuance is exempt since the subject securities were distributed to existing stockholders by way of stock dividend pursuant to SEC approval for the increase of Capital stock dated June 29, 2011.

The Company has issued three hundred million (300,000,000) shares on July 21, 2010 as an exempt transaction under Section 10.1(d) of Securities Regulation Code. The issuance is exempt since the subject securities were distributed to existing stockholders by way of stock dividend pursuant to SEC approval for the increase of Capital Stock dated September 29, 2010.

Item 6 Management's Discussion and Analysis or Plan of Operation

Calendar Year 2014 Compared to Calendar Year 2013

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 break. 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 increased by 3.0 % from ₱ 4,566.9 million in 2013 to ₱ 4,703.6 million in 2014. The domestic sales increased by 5.1% from ₱ 4,122.1 million in 2013 to ₱ 4,334.9 million

in 2014, while Export sales decreased by 17.1% from ₱ 444.9 million in 2013 to ₱ 368.6 million in 2014. The increase in sales indicator was chosen by management as it disclosed 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.) The gross profit on sales increased by 4.6% from ₱ 1,345.1 million for the year 2013 to ₱ 1,407.8 million for the year 2014. Cost of sales and service increased by 2.3% from ₱ 3,221.8 million in 2013 to ₱ 3,295.8 million in 2014 due to increase in cost ratios of subsidiaries on their newly opened branches. As a percentage of net sales, Cost of sales and service decreased from 70.55% in 2013 to 70.07% in 2014. 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 in gross profit by the peso gross profit during the comparable period of previous year

3.) Income from operations (income after administrative, selling and distribution expenses) increased by 9.13% from ₱ 423.1 million for the year 2013 to ₱ 461.8 million for the year 2014. Operating expenses (administrative, selling and distribution) increased by 2.6% from ₱ 921.9 million in 2013 to ₱ 946.0 million in 2014. The increase was due to the increased operating expenses i.e. marketing development expense, commissions, transportation and travelling, rentals, electricity and taxes mostly attributable to the subsidiaries. As a percentage of net sales, operating expenses increased from 20.19% in 2013 to 20.11% in 2014. 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 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 cost/income (finance income, finance costs and other income) increased by 7.32% from ₱ (150.7 million) in 2013 to ₱ (161.7 million) in 2014. Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase of net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax increased by 10.90% from ₱ 83.7 million in 2013 to ₱ 92.8 million in 2014. The net income increased by 10.08% from ₱ 188.2 million in 2013 to ₱ 207.2 million in 2014. 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 2.64% from ₱ 9,337.4 million in 2013 to ₱ 9,584.2 million in 2014. Current ratio increased by 28.11% from 1.16:1 in 2013 to 1.49:1 in 2014. Debt ratio increased by 2.88% from 0.47:1 in 2013 to 0.48:1 in 2014, while the equity ratio decreased by 2.56% from 0.53:1 in 2013 to 0.52:1 in 2014.

The increase in cash and cash equivalents was due to loan availments for additional working capital. The increase in trade and other receivable was due to a relatively longer time for customers to settle their accounts. The decrease in inventories was due to the pending production of glass line due to the transfer to Mandaluyong plant to Cavite plant. The decrease in other non-current assets was due to the decrease in receivable from SMDC for the 50% balance for the sale of 102 EDSA shares which was reclassified to current assets since, this is due for collection on May 2015. The decrease in deferred tax assets was due to the availment of retirement expense per PAS #19 (revised 2013). The decrease in acceptances payable/trade receipts was due to the payments made of trust receipts on letters of credit for the importation of raw materials and local distributed products. The increase in income tax payable was due to lower creditable withholding tax claimed for year end of 2014. The increase in total Notes Payable was due to the new availments of loans. The decrease in other current liabilities was due to the decrease in agency payable. The increase in other-noncurrent liabilities was due to the deferred output VAT payable.

Projection

The Company expects to increase its sales in 2015 by about 7% primarily due to the expected increase in Export sales and increase in sales of CafeFrance Corp. and Hemotek Renal Center, Inc. The parent company is continuously expanding its present product lines to include specialty products for inhalation, ophthalmic, irrigation and other health care purposes. Likewise, it expects to open new export markets in other countries and increases the number of products being exported. The subsidiaries are continuously opening-up new branches throughout the country. The expected net income for 2015 is about P214 million, which is about 4% to 5% of sales..

Calendar Year 2013 Compared to Calendar Year 2012

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 break. 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 increased by 1.51 % from ₱ 4,498.9 million in 2012 to ₱ 4,566.9 million in 2013. The domestic sales increased by 3.1% from ₱ 3,996.2 million in 2012 to ₱ 4,122.1 million in 2013, while Export sales decreased by 11.5% from ₱ 502.8 million in 2012 to ₱ 444.9 million in 2013. The increase in sales indicator was chosen by management as it disclosed 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.) The gross profit on sales increased by 0.19% from ₱ 1,342.6 million for the year 2012 to ₱ 1,345.1 million for the year 2013. Cost of sales and service increased by 2.07% from ₱ 3,156.4 million in 2012 to ₱ 3,221.8 million in 2013 due to increase in cost ratios of subsidiaries on their newly opened branches. As a percentage of net sales, Cost of sales and service increased from 70.16% in 2012 to 70.55% in 2013. 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 in gross profit by the peso gross profit during the comparable period of previous year
- 3.) Income from operations (income after administrative, selling and distribution expenses) decreased by 8.47% from ₱ 462.3 million for the year 2012 to ₱ 423.1 million for the year 2013. Operating expenses (administrative, selling and distribution) increased by 4.73% from ₱ 880.3 million in 2012 to ₱ 921.9 million in 2013. The increase was due to the increased operating expenses i.e. marketing development expense, commissions, transportation and travelling, rentals, electricity and taxes mostly attributable to the subsidiaries. As a percentage of net sales, operating expenses increased from 19.57% in 2012 to 20.19% in 2013. 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 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.
- 5.) Net Finance cost/income (finance income, finance costs and other income) decreased by 152.43% from ₱ 287.5 million in 2012 to ₱ (150.7 million) in 2013 since the Company realized in

2012 a net gain on disposal of investment in Subsidiary (102 EDSA Realty Co., Inc.). Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase of net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax decreased by 5.09% from ₱ 88.1 million in 2012 to ₱ 83.7 million in 2013. The provision for income tax excludes the final capital gains tax of ₱ 95.8 million on the sale of investment in subsidiary. The net income decreased by 71.48% from ₱ 661.6 million in 2012 to ₱ 188.7 million in 2013 due to net capital gain on disposal of investment in subsidiary in 2012. 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 3.53% from ₱ 9,024.0 million in 2012 to ₱ 9,342.7 million in 2013. Current ratio decreased by 8.12% from 1.28:1 in 2012 to 1.17:1 in 2013. Debt ratio increased by 4.56% from 0.45:1 in 2012 to 0.47:1 in 2013, while the equity ratio decreased by 3.6% from 0.55:1 in 2011 to 0.53:1 in 2013.

The decrease in cash and cash equivalents and the increase in trade and other receivable was due to a relatively longer time for customers to settle their accounts. The increase in inventories was due to increase in inventories of subsidiaries for their newly opened branches and stocking-up of IV fluids in preparations for the dismantling of Mandaluyong plant. The increase in other current assets and other non-current assets was due to the increase in prepaid marketing development expense, advances to suppliers and receivable from SMDC for the 50% balance for the sale of 102 EDSA shares. The increase in property plant & equipment was due to acquisitions of machineries and building improvements for the transfer of Mandaluyong production to Cavite plant. The decrease of intangible assets was due to amortization for the year. The increase in deferred tax assets was due to the recognition of additional retirement expense per PAS #19 (revised 2013). The increase in trade payables was due to the purchases of raw materials and services from suppliers. The increase in acceptances payable was due to the availments of trust receipts on letters of credit for the importation of raw materials and local distributed products. The increase in income tax payable was due to lower creditable withholding tax claimed for year end of 2013. The increase in total Notes Payable was due to the new availments of loans. The decrease in other current liabilities was due to the decrease in agency payable. The increase in retirement liability was due to recognition of additional retirement expense for year 2013 per PAS #19. The decrease in retained earnings was due to cash dividend declared and paid in 2013.

Projection

The Company expects to increase its sales in 2014 by about 4% primarily due to the increase in sales from its two(2) subsidiaries CafeFrance Corp. and Hemotek Renal Center, Inc. The parent company is continuously expanding its present product lines to include specialty products for inhalation, ophthalmic, irrigation and other health care purposes. Likewise, it expects to open new export markets in other countries and increases the number of products being exported. The subsidiaries are continuously opening-up new branches throughout the country. The operating income is expected to increase by about 9% or about P463 million.

The expected net income for 2014 is about P210 million, which is about 4% to 5% of sales..

Calendar Year 2012 Compared to Calendar Year 2011

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 break. 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 accelera-

tion 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 increased by 11.7 % from ₱ 4,028.7 million in 2011 to ₱ 4,498.9 million in 2012. The domestic sales increased by 12.9% from ₱ 3,538.9 million in 2011 to ₱ 3,996.2 million in 2012, while Export sales increased by 2.64% from ₱ 489.8 million in 2011 to ₱ 502.8 million in 2012. The increase in sales indicator was chosen by management as it disclosed 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.) The gross profit on sales decreased by 0.09% from ₱ 1,350.9 million for the year 2011 to ₱ 1,338.6 million for the year 2012. Cost of sales and service increased by 18% from ₱ 2,677.8 million in 2011 to ₱ 3,160.3 million in 2012 due to increase in cost ratios of subsidiaries on their newly opened branches. As a percentage of net sales, Cost of sales and service increased from 66.4% in 2011 to 70.2% in 2012. 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 in gross profit by the peso gross profit during the comparable period of previous year

3.) Income from operations (income after administrative, selling and distribution expenses) decreased by 17.4% from ₱ 531.9 million for the year 2011 to ₱ 439.4 million for the year 2012. Operating expenses (administrative, selling and distribution) increased by 9.8% from ₱ 818.9 million in 2011 to ₱ 899.3 million in 2012. The increase was due to the increased operating expenses i.e. marketing development expense, commissions, transportation and travelling, rentals, electricity and taxes mostly attributable to the subsidiaries. As a percentage of net sales, operating expenses decreased from 20.3% in 2011 to 19.9% in 2012. 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 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.

6.) Net Finance cost/income (finance income, finance costs and other income) increased by 260.5% from ₱ 187.9 million in 2011 to ₱ 301.6 million income in 2012 due to the net gain on disposal of investment in subsidiary, (net of provision for impairment loss on property, plant and equipment, final tax and other related expenses for the sale of shares of 102 EDSAREalty Co., Inc.). Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase of net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax decreased by 15.8% from ₱ 101.6 million in 2011 to ₱ 85.5 million in 2012. The provision for income tax excludes the final capital gains tax of ₱ 95.8 million on the sale of investment in subsidiary. The net income increased by 171.8% from ₱ 242.5 million in 2011 to ₱ 655.4 million in 2012 due to the net capital gain on sale of subsidiary (102 EDSA Realty Co., Inc.). 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 6.94% from ₱ 8,428.5 million in 2011 to ₱ 9,013.8 million in 2012. Current ratio increased by 5.21% from 1.22:1 in 2011 to 1.28:1 in 2012. Debt ratio decreased by 5.13% from 0.47:1 in 2011 to 0.45:1 in 2012, while the equity ratio increased by 4.56% from 0.53:1 in 2011 to 0.55:1 in 2012.

The decrease in cash and cash equivalents was due to the full payment of installment contract payable. The increase in trade and other receivable was due to a relatively longer time for customers to

settle their accounts. The increase in inventories was due to increase in inventories by subsidiaries as there are newly opened branches and stocking-up of IV fluids in preparations for the dismantling of Mandaluyong plant. The increase in other current assets and other non-current assets was due to the increase in prepaid marketing development expense, advances to suppliers and receivable from SMDC for the 50% balance for the sale of 102 EDSA shares . The decrease in property plant & equipment and investments property was due to the writedown of certain Mandaluyong plant property related to the sale of Investment in subsidiary, 102 EDSA on May 9, 2012. The decrease in intangible assets was due to write down of an intangible asset in relation to the sale of investment in Subsidiary, 102 EDSA Realty Co., Inc. . The increase in deferred tax assets was due to the recognition of additional retirement expense per PAS #19 (revised 2011). The increase in trade payables was due to the purchases of raw materials and services from suppliers. The decrease in acceptances payable was due to the payments of trust receipts on letters of credit for the importation of raw materials and local distributed products. The decrease in income tax payable was due to lower taxable income in 2012. The increase in total Notes Payable was due to the new availments of loans. The decrease in total installment contract payable was due to full payment during the year of the total balance of the account. The decrease in other current liabilities was due to the decrease in agency payable. The increase in retirement liability was due to recognition of additional retirement expense for year 2012 per PAS #19. The decrease in other non-current liabilities was due to recognition of advance rental earned during the year. The increase in capital stock and the increase in retained earnings was due to the net income for the year 2012.

Projection

The Company expects to increase its sales in 2013 by about 7% primarily due to the increase in sales from its two(2) subsidiaries CafeFrance Corp. and Hemotek Renal Center, Inc. The parent company is continuously expanding its present product lines to include specialty products for inhalation, ophthalmic, irrigation and other health care purposes. Likewise, it expects to open new export markets in other countries and increases the number of products being exported. The subsidiaries are continuously opening-up new branches throughout the country. The operating income is expected to increase by about 6% or about P465 million.

The expected net income for 2013 is about P200 million, which is about 4% to 5% of sales..

Liquidity and Capital Resources

The Company's primary need for funds is to finance its operations and capital expenditures. Historically, the Company relied on its internally generated funds, revolving Omnibus Credit Lines and long term debts from various banks.

Capital expenditures for the years 2012, 2013 and 2014 were ₱ 397.3 million, ₱ 127.6 million and P 127.6 million respectively. These capital expenditures related primarily to the expansion programs of the Company for land, buildings, machinery and equipment.

Working capital and capital expenditures for the years 2012, 2011 and 2013 were financed through internally generated funds, and short term and long-term borrowings from various commercial banks.

The Company has Omnibus Credit Lines in the aggregate amount of about ₱ 4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no margin deposit at opening). Availments are for a period 180 to 360 days, with interest payable/reviewable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

Plans of the Company

Euro-Med intends to expand its present product line to include specialty products for inhalation, ophthalmic, irrigation and other healthcare purposes. New products will include oral drug preparation in tablet, syrup and suspension. The Company expects to open new export markets in other countries and increased the number of products being exported. The subsidiaries are continuously looking for branches throughout the country.

Item 7 Financial Statements

Exhibit I - Statement of Management's Responsibility for Financial Statements.

Exhibit II - Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2012, 2013 and 2014.

Item 8 Information on Independent Accountant and other Related Matters

1.) External Audit fees and Services

a.) Audit and Audit Related Fees

The aggregate fees billed by the Company's external auditors for the years 2013 and 2014 amounted to P 266,000 and P134,801 respectively. These amounts cover the cost of the regular audit of the Company's annual financial statements in connection with statutory and regulatory filings for those covered years. These fees also include consultation on minor accounting matters and minor tax matters, such as queries on new BIR regulations, computation of VAT, etc. Any work that will involve our external auditors to represent the company on cases with the Bureau of Internal Revenue and other regulatory bodies are considered major accounting and tax matters which shall be billed commensurate with the number of hours spent by the auditors working on such consultation.

b.) Tax fees – None

c.) All other fees – None

d.) The above-stated fees are approved by the Company's Audit Committee based on a written engagement letter subject to the mutual agreement of both parties.

2.) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

The Company's financial statements for the years 2011, 2012 and 2013 were audited by MCJ & Co., CPA's, the audit firm appointed by the stockholders in its meeting held on June 20, 2012, June 19, 2013 and June 19, 2014. The financial statements for the years ended December 31, 2009 to December 31, 2010 were audited and signed by one of MCJ's partner, Mr. Napolen A. Calderon. Mr. Calderon ceased to be the handling partner on December 31, 2010 and was replaced in 2011 by another handling partner of the same audit firm, Mr. Marcelino A. Mercado. The change in handling partner is in compliance with SEC Rule 68 as amended.

The external auditors of the Company's financial statements for the year 2014 was changed to Mangay-Ayam, Lim & Co., CPA's from MCJ & Co., CPA's for reasons beyond the control of the Company. The Company was informed last 27 Feb. 2015 that there has been a disagreement between the partners of MCJ & Company CPA's, which caused the partners to go their separate ways and dissolve the firm effective September 30, 2014 and was finally approved by SEC on January 30, 2015. Due to the dissolution of the audit firm, MCJ & Co., CPA's, the company was constrained to terminate its engagement with MCJ & Co., CPA's and engage a new audit firm Mangay-ayam, Lim & Co. CPA's. There were no disagreements with accountants on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Issuer

Each of the directors and officers serve a term of one (1) year until the election and qualification of their successors. Following are the Company's board of directors as of December 31, 2014

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Term (Yrs.)</u>
Dr. Tomas P. Maramba, Jr. *	82	Filipino	Honorary Chairman Emeritus	20
Dr. William G. Padolina *	68	Filipino	Chairman of the Board	15
Mr. Edwin Feist *	66	Australian	Independent Director	4
Mrs. Georgiana S. Evidente	54	Filipino	Director	19
Dr. Evangeline V. Baviera	60	Filipino	Director	18
Mr. Johnny C. Yap	42	Filipino	Director	20
Dr. Teodora D. Tan	78	Filipino	Director	24
Mr. Basilio C. Yap	65	Filipino	Director	1
Mr. Emilio C. Yap III	43	Filipino	Director	1
Atty. Francis Gaw	67	Filipino	Director	1

*The Company's independent directors as required by Section 38 of Securities Regulation Code.

The following are the Company's key executive officers as of December 31, 2014:

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Term (yrs.)</u>
Mrs. Georgiana S. Evidente	54	Filipino	President	21
Dr. Evangeline V. Baviera	60	Filipino	Executive Vice President	18
Mr. Johnny C. Yap	42	Filipino	Vice Chairman EVP/Treasurer and Assistant Corporate Secretary	20
Dr. Teodora D. Tan	78	Filipino	Assistant Treasurer	24
Janice R. Ong	44	Filipino	Corporate Secretary	8

- The company had created the following Board Committees:
 - a.) Audit Committee:
 - * Current membership are:
 - a.1) Dr. William G. Padolina – Independent Director (Chairman)
 - a.2) Edwin D. Feist - Independent Director
 - a.3) Dr. Teodora D. Tan - Director
 - a.4) Dr. Evangeline V. Baviera - Director
 - b.) Nomination Committee:
 - * Current membership are:
 - b.1) Dr. Johnny C. Yap – Director (Chairman)
 - b.2) Dr. William G. Padolina – Independent Director
 - b.3) Mrs. Georgiana S. Evidente – Director
- The company has not yet created Corporate Governance Committee.

DR. TOMAS P. MARAMBA, JR.

Age: 83

Dr. Tomas P. Maramba, Jr. is a Filipino, married and graduated from the College of Medicine, University of the Philippines, with the degree of Doctor of Medicine in 1956. In 1975, he completed his Master's Degree in Hospital Administration from the Institute of Public Health of the same university. He took postgraduate training at the Philippine General Hospital in Manila; D.C. General Hospital in Washington D.C.; University of Kansas Medical Center in Kansas City, Kansas; and the Medical College of Georgia in Augusta, Georgia. The American Board of Pathology and the Philippine Board of Pathology have certified him, both in Anatomic Pathology and Clinical Pathology. Dr. Maramba has extensive experience in the field of Medicine in the specialties of Anatomic Pathology

and Laboratory Medicine, Public Health, Regulation of Health Services, Hospital Administration and Quality Management in Hospitals and Clinical Laboratories. He was formerly Head of the Departments of Pathology of Rizal Provincial Hospital, Lungsod ng Kabataan and Lung Center of the Philippines. He established and headed the Rizal Cancer Registry and reorganized and headed the Philippine Cancer Society Tumor Registry. In the government, he served as Director of the Bureau of Research and Laboratories, Undersecretary for the Office of Standards and Regulation, Acting Chairman of the Dangerous Drugs Board, Vice-Chairman of the Philippine Council for Health Research and Development, and Program Manager of the National Blood Services Program of the Department of Health. He is a former President of the Philippine Society of Pathologists, Philippine Blood Coordinating Council, Philippine Society of Oncology, Philippine Society for Quality in Health Care, Philippine Council for Accreditation of Healthcare Organizations, Asian Network for Clinical Laboratory Standardization and Harmonization and Philippine Council for Quality Assurance in Clinical Laboratories. He is a former member of the Board of Governors, Philippine National Red Cross and former Associate Professor and Professorial Lecturer at the Department of Health Policy and Administration, College of Public Health, University of the Philippines, Manila, former Chairman of the Department of Pathology and former Head of the Quality Management Department at the Dr. Victor R. Potenciano Medical Center. He is currently President Emeritus of the Philippine Society for Quality in Health Care and Immediate Past President of the Philippine Council for Accreditation of Healthcare Organizations. In the Department of Health, he is Chair of the Technical Working Group for the Strategic Plan for the National Health Laboratory Network and Chair of the Committee on Quality Assurance for Laboratory Services. He is the Vice-Chairman of the Department of Pathology at the Dr. Victor R. Potenciano Medical Center and Associate Pathologist and Head of the Blood Bank Section of the United Doctors Medical Center. On 12 May 2010, Dr. Tomas P. Maramba, Jr., retired as Chairman of the Board of Euro-Med Laboratories Phil., Inc. and was thereupon appointed as Honorary Chairman Emeritus.

DR. WILLIAM G. PADOLINA **Age: 68**
Chairman of the Board

Dr. William G. Padolina, a married Filipino, graduated magna cum laude from the University of the Philippines, Los Baños with the degree of Bachelor of Science in Agricultural Chemistry in 1968. Subsequently as a Fulbright-Hays Scholar, he obtained his Ph.D in Botany/Phytochemistry in 1973 from the University of Texas at Austin. Upon his return from studies abroad, he continued teaching at the Institute of Chemistry, University of the Philippines Los Baños where he became a full Professor of Chemistry in 1987. He was a Consultant for Euro-Med Laboratories Phil., Inc. from 1990 to 1992. Dr. Padolina was appointed as an Undersecretary, Acting Secretary and Secretary of Department of Science and Technology from September 1992 to January 1999. Currently, he is a senior advisor at the International Rice Research Institute in Los Baños, Laguna, he was appointed as Chairman of the Board of Euro-Med Laboratories Phil., Inc. Currently, he is on contract to assist the Commission on Higher Education to implement the Philippine-California Advance Research Institutes Project. He is also currently a Senior Fellow at the Southeast Asian Center for Graduate Study and Research in Agriculture. He was elected President of the National Academy of Science and Technology, Philippines in October 2012 for a term of three years.

MRS. GEORGIANA S. EVIDENTE **Age: 54**
Director and President

Georgiana S. Evidente, a married Filipino, holds a Bachelor of Arts degree in Communication Arts from Maryknoll College in Quezon City. She joined the Company in 1990 and assisted in the completion of the Cavite plant. In 1991, she was promoted to Vice President and was responsible for setting up the nationwide marketing and distribution network of the Company. Through her management and marketing efforts, Euro-Med's domestic sales grew to what it is today and export sales were developed. She is the President and Chief Executive Officer of the Company and has over 20 years of marketing and management experience.

DR. EVANGELINE V. BAVIERA **Age: 60**
Director and Executive Vice President

Dr. Evangeline V. Baviera, a married Filipino, graduated in 1976 from the University of the Philippines with the degree of Bachelor of Science in Pre-Medicine. She completed her course in Medicine

Johnson Latin America. As an industry leader, Mr. Feist was President of the Pharmaceutical and Health Care Association of the Philippines (PHAP) for eight consecutive years and also a three-year director of the American Chamber of Commerce in the Philippines. He is currently the President of the American Chamber Foundation of the Philippines.

MR. BASILIO C. YAP **Age: 65**
Director

Mr. Basilio C. Yap, Filipino, graduated from De La Salle University with the degree of BS in Commerce major in Accounting cum laude in 1972 and Asian Institute of Management with the degree of Masters in Business Management in 1977. He is also a CPA. He has held the position of Assistant Vice President in Bank of America up to 1985. He is currently holding various positions including Chairman, President and Director of U S Automotive Co Inc., Usautoco Inc, Philtrust Realty Corporation, Manila Prince Hotel, Cocusphil Development Corporation, U. N. Properties Development Corporation and Seebreeze Enterprises, Inc; Vice Chairman and Director of Philtrust Bank; and Director of Manila Hotel Corporation.

MR. EMILIO C. YAP, III **Age: 43**
Director

Dr. Emilio C. Yap, III, a Filipino, graduated from De La Salle University in 1994 with a degree of Bachelor of Science in Accountancy. He was conferred with the Degree of Doctor of Philosophy in Journalism, Honoris Causa by Angeles University Foundation last May 01, 2009. Last April 16, 2012, he was conferred with the Degree of Doctor of Business Administration, Honoris Causa by Pamantasan ng Lungsod ng Maynila. He was awarded Outstanding Manilan last June 24, 2011. Currently, Dr. Yap is a Director and Executive Vice President of Manila Bulletin Publishing Corporation. He is also a Director of Philtrust Bank, Manila Hotel Corporation, Centro Escolar University and Cocusphil Development Corporation. Moreover, Dr. Yap is the Chairman of Manila Prime Land Holdings, Inc., a Director and Vice President of U.S. Automotive Co., Inc., Director and Asst. Treasurer and Asst. Corporate Secretary of Usautoco Inc., Director and Vice President of Philtrust Realty Corporation.

Atty. Francis Y. Gaw **Age: 67**
Director

Atty. Francis Y. Gaw, Filipino, graduated from University of Sto. Tomas with the degree of BS in Commerce major in Accounting in 1967, CPA certified in same year and Ateneo de Manila with the degree of Bachelor of Laws salutatorian in 1972, placed 5th in the bar exam. He had his MBA (with thesis) at International Academy of Management and Economics in 2009 and Ph.D. (with dissertation) in 2011. Atty. Gaw was a former Director of Philippine Bank of Communications and Filipinas Manufacturers' Bank. Currently holding various positions including Chairman and President of Goldclass Inc., and Royal Bay Terrace Condominium Association Inc.; Director of Manila Hotel Corp., U.N. Properties Development Co., Inc. and Orient Enterprises Inc. He is the principal/solo practitioner of Gaw Law Office.

Family Relationship

Messrs. Basilio C. Yap, Emilio C. Yap, III, Johnny C. Yap, Mr. Michael Vincent Y. Yap and Mr. Enrique Raymond I. Yap are related by consanguinity. Atty. Francis Gaw is related by affinity.

The company's Corporate Secretary, Janice R. Ong is the spouse of Arnold D. Ong, Senior Vice President of the company.

Significant Employee

There is no person who is not an Executive Officer expected by the Company to make a significant contribution to the business.

at the University of the East Ramon Magsaysay Memorial Medical Center in 1980. After graduation, she took her specialization in Pediatrics in the hospital of the same university. In 1986, she became a faculty member of the Department of Pharmacology. She served as a consultant to the Bureau of Food and Drugs from 1988 to 1990. She was the Chairman of the Department of Pharmacology, De La Salle University Health Science Campus in Dasmariñas, Cavite from 1990 to 1992. In 1990, she joined Euro-Med as a Medical Consultant and subsequently became the Medical Director. She was promoted to Vice President in 1992 and Senior Vice President in 1997. She became a Director in 1996. Dr. Baviera is the head of all plant operations. She was promoted to Executive Vice President in 2004.

MR. JOHNNY C. YAP **Age: 42**
Vice Chairman, Director, Executive Vice President, Treasurer and Assistant Corporate Secretary

Johnny C. Yap, a single Filipino, graduated from De La Salle University in 1993 with the degree of Bachelor of Science in Management of Financial Institutions. He was consistently in the Dean's List and was awarded Best in Thesis for his work, "Derivation of the Security of the Market Line". He joined the Company in 1993 and subsequently became a Director, Assistant Treasurer and Assistant Corporate Secretary. At present, he is a Director and the Treasurer of the Company. He is also a Director of Centro Escolar University (CEU). In January 01, 2009, he was promoted to Executive Vice President of Euro-Med Laboratories Phil., Inc. On March 21, 2010 Centro Escolar University, Dumaguete conferred upon him the degree of Doctor of Humanities. He is currently the Chairman of the Board of CafeFrance Corp., a wholly owned subsidiary of Euro-Med Laboratories Phil., Inc. He was elected as Vice Chairman of the Company on June 20, 2012. He was appointed as Director of Philtrust Bank last 25 April 2012.

DR. TEODORA D. TAN **Age: 78**
Director and Assistant Treasurer

Dr. Teodora D. Tan, a Filipino, graduated from the Manila Central University with a Bachelor's Degree in Liberal Arts. Subsequently, she obtained her degree of Doctor of Medicine from the same university and passed the Board Examination for Medicine in 1959. Since then, she has been a general practitioner and joined Euro-Med in 1990 as a Director. Currently, she also holds the position of Assistant Treasurer.

MRS. JANICE R. ONG **Age: 44**
Corporate Secretary

Janice R. Ong, a married Filipino, graduated from St. Scholastica's College with a degree of Bachelor of Arts in Mass Communication. After graduation, she joined Banco de Oro. In January 1992, she joined Euro-Med as Secretary to the Executive Vice President. She was promoted to Manager in 1999 and was elected by the Board of Directors as Corporate Secretary on September 01, 2007. She is currently the Assistant Treasurer of Hemotek Renal Center, Inc., a subsidiary of Euro-Med Laboratories Phil., Inc. Mrs. Janice Ong is the spouse of Mr. Arnold D. Ong, a Senior Vice President of the Corporation.

MR. EDWIN D. FEIST **Age: 66**
Independent Director

Mr. Edwin D. Feist, a married Australian, has over 42 years international experience in the health care industry working in 3 continents: North America, Asia, Australia and New Zealand. Starting out as a sales representative, Mr. Feist progressed to senior executive positions responsible for international markets with Bristol Myers Squibb-Mead Johnson and Abbott Laboratories. He joined Abbott in November 1994 as President and General Manager of Abbott Philippines and is credited with growing and transforming Abbott's business in the Philippines from a predominantly hospital focused business to a diversified business with pediatric and medical nutrition in the Philippines, Australia, New Zealand and other Asian countries. Prior to Abbott, Mr. Feist held several executive management positions with Bristol Myers-Squibb-Mead Johnson, including: Division Manager Pharmaceutical-Nutrition Division, Australia, Vice President Marketing, Bristol Myers Philippines; President and General Manager, Mead Johnson Philippines; Vice President Business Development, Mead

Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors and officers was involved in any bankruptcy proceedings during the past five years. Neither have they been convicted by final judgement in any criminal proceeding or being subject to any order, judgement or decree permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, and not found by any court, the Commission or other self regulatory bodies to have violated a securities or commodities law or regulation.

Item 10 Executive Compensation

a.) Summary Compensation Table

Annual Compensation.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
Georgiana S. Evidente) <i>President</i>				
Evangeline V. Baviera) <i>Executive Vice President</i>	2013	7,360,320	1,916,750	973,360
	2014	7,376,700	2,021,605	974,725
Johnny C. Yap) <i>Executive Vice President</i>	2015	7,400,880	2,025,440	976,740
<i>Vice Chariman, Executive Vice President/Treasurer</i>)				
Sandra N. Pineda) <i>Chief Accountant</i>)				
All Officers and Directors as a group unnamed)	2013	15,353,040	3,918,050	2,719,420
	2014	15,388,140	4,024,465	3,022,345
	2015	15,463,800	3,933,770	2,908,650

The Company's executive officers receive a fixed basic salary on a monthly basis. The Company does not enter into an employment/management contract with any of its executive officers. There are no outstanding warrants or options held by directors and officers.

b.) Compensation of Directors

Standard Arrangements. Except for per diems of P30,000 for the Chairman, P20,000 for the Vice Chairman and P10,000 per Director per board meeting, there are no other arrangements pursuant to which directors of the Company are compensated directly or indirectly, for any services provided directly or indirectly to the Company during the Company's last fiscal year and the ensuing year.

Item 11

Security Ownership of Certain Beneficial Owners and Management

1) Security Ownership of Certain Record and Beneficial Owners

As of March 16, 2015 (the latest practicable date prior to the printing of this document), the following shareholders are the sole owners of record owning more than five percent (5%) of the outstanding shares of the common stock in the capital of the Company:

Title of Class	Name and Address of Record owner and relationship with issuer	Name of beneficial owner and relationship with record owner***	Citizenship	Number of shares	Percent of
				held	Class
Common	U.S. Automotive Co., Inc. * United Nations Avenue corner San Marcelino Street Manila / Major stockholder	Yap Family Stockholder/Director Officer	Filipino	2,401,747,112 (R)	58.41%
Common	USAUTOOCO, Inc. * United Nations Avenue corner San Marcelino Street, Manila / Major stockholder	Yap Family Stockholder/Director Officer	Filipino	855,505,147 (R)	20.80%
Common	Philippine Trust company ** United Nations Avenue corner San Marcelino Street, Manila	Yap Family Stockholder/Director Officer	Filipino	365,111,291	8.88%
Common	3. Evergreen Stock Brokerage & Securities, Inc. *	various clients	Filipino	298,725,323 (R)	7.26%

**There are no voting trusts or similar agreements among shareholders of these corporations. Furthermore, there are no arrangements among these corporations, which may result in a change in control of the Company. These corporations, however, are expected to issue their respective proxies in favor of Mr. Johnny C. Yap, the Executive Vice President and Treasurer of the Company.*

****Except for the above-stated record owner of shares owning more than five percent (5%) of the outstanding shares of the Company, the management has no knowledge of any person or group of persons to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Company's voting securities.*

2) Security Ownership of Management

Title of Class	Name of beneficial owner	Beneficial Ownership			Percent of Class
		Amount	Nature	Citizenship	
Common	Padolina, William G.	20,564	on record	Filipino	0.00%
Common	Evidente, Georgiana S.	1,285,052	on record	Filipino	0.03%
Common	Baviera, Evangeline V.	41,645	on record	Filipino	0.00%
Common	Yap, Johnny C.	36,980,720	on record	Filipino	0.90%
Common	Yap, Emilio III C.	35,695,668	on record	Filipino	0.87%
Common	Yap, Nichol C.	35,695,668	on record	Filipino	0.87%
Common	Yap, Enrique Raymond I.	16,067,839	on record	Filipino	0.39%
Common	Yap, Michael Vincent Y.	15,257,017	on record	Filipino	0.37%
Common	Yap, JR. Enrique Y.	15,000,000	on record	Filipino	0.36%
Common	Yap, Basilio C	20,564	on record	Filipino	0.00%
Common	Gaw, Francis	82,249	on record	Filipino	0.00%
Common	Tan, Teodora D.	11,607	on record	Filipino	0.00%
Common	Ong, Janice R.	51,409	on record	Filipino	0.00%
Common	Feist, Edwin D.	11,607	on record	Australian	0.00%
		<u>156,221,609</u>			

The aggregate number of shares owned of record by all directors and officers as a group as of March 16, 2015 (the latest practicable date prior to the printing of this document) is 156,221,609 common shares or approximately 3.79% of the Company's outstanding capital stock of 4.112 Billion shares.

Item 12 Certain Relationships and Related Transactions

- In the normal course of business, transactions with related parties consist mainly of the following:
 - a) The Company is leasing its office at PPL Building, United Nations Avenue corner San Marcelino Street, Manila from US Automotive Co., Inc., a majority stockholder of the Company. The lease is for one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent charged by management is based on the lease rates charged to the other tenants in the building and in the vicinity. The rent for the period January to December 2014 and 2013 amounted to P 19,822,440 and P19,822,440 respectively. No outstanding payable as of December 31, 2014. There are no other ongoing contractual or other commitments as a result of the arrangement.
 - b) The Company purchased labels from Philippine Label Pack Corp., a corporation wherein some major stockholders are family members of one (1) of the Company's directors/executive officers. These transactions are made substantially on the same terms and conditions as transactions with other suppliers of the Company. The purchase price depends on the competitiveness of prices submitted/quoted by various suppliers. Purchases for the period January to December, 2014 and 2013 amounted to P16.9 million and P15.8 million respectively. No outstanding payable as of December 31, 2014. There are no ongoing contractual or other commitments as a result of the arrangement.
 - c) The Company has advances to its 100% subsidiary, Hemotek Renal Center, Inc. amounting to P36.7 million in 2014 and in 2013 and to its 100% subsidiary CafeFrance Corp. amounting to P 449.6 million in 2014 and P312.4 million in 2013. Sales to Hemotek Renal Center, Inc. amounted to P43.1 million for the year 2014 and P48.6 million for the year 2013, and accounts receivable of P136.4 million in 2014 and P131.4 million in 2013. The sales prices charged to Hemotek are competitive as those charge to other regular customers. There are no ongoing contractual or other commitments as a result of the arrangement
 - d) The Company engages in regular bank transactions with Philtrust Bank, an affiliated local commercial bank. Transactions are for deposits and withdrawals requirements of the company . Deposit balances as of December 31, 2014 and 2013 amounted to P125.1 million and P15.9 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement.
 - e) The Company avails of advertising services of Manila Bulletin Publishing Corp., an affiliate under common control. Advertising rates charged are the same as charged to other regular customers. Total services purchased for January to December 2014 and 2013 amounted to P10.5 million and P 10.4 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement
 - f) The Company avails of hotel services of Manila Hotel, an affiliate under common control. Hotel charges are the same as charged to other regular customers. Total services purchased for January to December 31, 2014 and 2013 amounted to P 0.301 million and P 0.4 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement

- The Company has no material transactions (that may not be available from others) with other parties falling outside the definition of "related parties".

Item 13 Annual Corporate Governance Report (ACGR)

PART IV – Annual Corporate Governance Report *Please refer to attached ACGR

Item 14 Minimum Public Ownership (MPO)

As of March 16, 2015 (the latest practicable date prior to issuance of this annual report) the level of the Company's public float is 13.43%.

PART V – EXHIBITS AND SCHEDULES

Item 14 Exhibits and Reports on SEC Form 17-C

a.) Exhibits

- I** Statement of Management’s Responsibility for Financial Statements
- II** Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2012, 2013 and 2014.

b.) Material Contracts

The Company enters into a large number of contracts relating to its operations and finances on an annual basis. In the opinion of the Directors, these contracts are entered into in the ordinary course of business and the reproduction of copies of all such documents would not be feasible and might be prejudicial to its operations.

c.) Reports on SEC Form 17-C

Jan. 22, 2014	Sworn Certification on the Director's Attendance in Board Meetings for year 2013.
Jan. 22, 2014	Sworn Certification on Compliance on the Provisions of Euro-Med's Revised Manual on Corporate Governance for year 2013.
Mar. 21, 2014	Ratification of Collective Bargaining Agreement 2015-2019
Apr. 11, 2014	Change of Principal Address Increase in number of Directors from seven (7) to nine(9) Nominees for Election as Members of Directors 2014-2015 Approval and Authorization for issuance of the 2013 Audited Financial Statements
May 02, 2014	Amendment on the Increase In Number of Directors from Seven(7) to Ten(10) Amended Nominees for Election as Members of the Board of Directors 2014-2015
May 21, 2014	Declaration of Cash Dividend.
June 18, 2014	2014 Euro- Med Laboratories Phil., Inc. Annual Shareholders' Meeting Amendment of the Articles of Incorporation, Article 3 and Article 6 Amendment of By-Laws, Section 2 and 6, Article IV Election of Board of Directors for the year 2014-2015 Appointment of External Auditors 2014 Euro-Med Laboratories Phil., Inc. Organizational Meeting Election of Corporate Officers for the year 2014-2015 Appointment of Members of the Audit and Nomination Committee
July 16, 2014	Revised Manual on Corporate Governance
Oct. 01, 2014	Corporate Governance Training and Seminar
Oct. 20, 2014	Corporate Governance Training and Seminar
Oct. 29, 2014	Corporate Governance Training and Seminar

a.) Financial Statements filed under SEC Form 17-Q

<u>Date Filed</u>	<u>Period Covered</u>
May 15, 2014	Quarter ended March 31, 2014
Aug 14, 2014	Quarter ended June 30, 2014
Nov 14, 2014	Quarter ended September 30, 2014

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on APR 14 2015, 2015.

EURO-MED LABORATORIES PHIL., INC.

By:

Georgiana S. Evidente
Georgiana S. Evidente
 President/Director

Johnny C. Yap
Johnny C. Yap
 Treasurer/Director

Jose A. Emitterio
Jose A. Emitterio
 Senior Vice President

Sandra N. Pineda
Sandra N. Pineda
 Chief Accountant

Janice R. Ong
Janice R. Ong
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2015 day of 2015 at the City of Manila, affiants exhibiting to me their Passport number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Georgiana S. Evidente	EB4155571	Nov 25, 2011	DFA, Manila
Johnny C. Yap	EB6364635	Sept. 18, 2012	DFA, Manila
Jose A. Emitterio	SSS 03-22751846	Year 2007	SSS Manila
Sandra N. Pineda	ECO412347	Feb 25, 2014	DFA, West
Janice R. Ong	EB2319859	May 3, 2011	DFA, Manila

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 Series of 2015

AGNES B. URBANO
 Notary Public
 Until December 31, 2015
 PTR - 3905659 Mla. 1/22/13; TIN 109-214-340
 IBP - 624469; Attorneys Roll - 43309
 U.N. Ave. Cor. San Marcelino St., Mla.

**EURO-MED LABORATORIES PHIL., INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014

and

Report of Independent Auditors



Euro-Med Laboratories Phil., Inc.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City

The management of Euro-Med Laboratories Phil., Inc. and Subsidiaries (the "Company") is responsible for the preparation and fair presentation of the parent company financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal control relevant to the preparation and fair presentation of the parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the parent company financial statements and submits the same to the stockholders.

Mangay – ayam, Lim & Co. and Mercado Calderon Jaravata & Co., CPAs, the independent auditors appointed by the stockholders for the period December 31, 2014 and 2013, respectively, have examined the parent company financial statements in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.


William Padolina
Chairman of the Board



Georgiana S. Evidente
President / Director


Johnny C. Yap
Treasurer / Director

SUBSCRIBED AND SWORN to before me this 14 day of APR 2015 at the City of MANILA, affiants exhibiting to me their Passport Number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
William Padolina	EB7351369	Feb 11, 2013	DFA, Manila
Georgiana S. Evidente	EB47155571	Nov 25, 2011	DFA, Manila
Johnny C. Yap	EB6364635	Sept. 18, 2012	DFA, Manila

Doc. No. 244
Page No. 50
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AGNES B. URBANO
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Until December 31, 2015
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IBP - 624469; Attorneys Roll - 43309
U.N. Ave. Cor. San Marcelino St., Mla.



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **Euro-Med Laboratories Phil., Inc. and Subsidiaries**, which comprise the consolidated statement of financial position as at December 31, 2014, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **Euro-Med Laboratories Phil., Inc. and Subsidiaries** as at December 31, 2014, and their financial performance and their cash flows for year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

We did not audit the financial statements of all the subsidiaries whose financial statements reflect assets of P1,951.6 million as at December 31, 2014, total revenues of P1,546.5 million and net cash out flows amounting to P1,528 million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include share of net profit of P8.425 million for the year ended December 31, 2013, as considered in the consolidated financial statements, in respect of all the subsidiaries, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it related to the amounts and disclosures included in respect of these subsidiaries, is based on the reports of the other auditors. Our opinion is not qualified in respect of these matters.

The consolidated financial statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2013 and for the year ended December 31, 2013 and 2012, which were presented for comparative purposes, were audited by other auditors whose report dated April 10, 2014, expressed an unqualified opinion on those statements.

MANGAY-AYAM, LIM & CO., CPAs

BOA Registration No. 0672, valid until December 31, 2015

SEC Accreditation No. 0302-F, effective until December 03, 2017, Group A

BIR A.N. 08-001698-0-2015, valid until February 18, 2018

TIN 228-756-505

By:



RODRIGO M. MANGAY-AYAM

Partner

CPA License No. 21565

SEC Accreditation No. 1454-A, effective until December 03, 2017, Group A

BIR A.N. 08-001698-2-2014, valid until January 05, 2018

TIN 228-756-505

P.T.R. No. 4782039MD, issued on January 31, 2015, Makati City

Makati City, Philippines

April 14, 2015

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(With Comparative Figures for 2013)
(In Philippine Peso)

	Notes	December 31	
		2014	2013
ASSETS			
Current			
Cash	7,20,35	P 1,100,802,128	P 825,485,867
Receivables	5,8,35	2,377,065,633	1,600,673,362
Inventories	5,9	1,361,683,328	1,505,255,559
Other current assets	10,35	306,032,428	298,760,848
		5,145,583,517	4,230,175,636
Non-current			
Property, plant and equipment	5,11,15	3,708,582,205	3,739,174,779
Intangible assets	5,12	224,725,548	224,905,802
Deferred tax assets	3,5,29	42,612,450	47,697,524
Other non-current assets	13,35	462,678,910	1,095,419,708
		4,438,599,113	5,107,197,813
TOTAL ASSETS		P 9,584,182,630	P 9,337,373,449
LIABILITIES AND EQUITY			
Current			
Trade payables	14,35	P 530,063,659	P 505,059,285
Trust receipts payable	15,35	125,856,665	307,848,276
Notes payable	11,16,35	2,308,600,000	2,547,700,000
Current portion of long-term loans	11,15,35	389,425,332	163,000,000
Income tax payable		45,767,344	41,476,534
Other current liabilities	17,35	54,498,921	72,922,399
		3,454,211,921	3,638,006,494
Non-current			
Long-term loans-net of current portion	11,15,35	1,085,360,668	657,409,950
Retirement benefit obligation	3,29	96,526,196	95,344,910
Other non-current liabilities	18,35	3,585,660	2,700,000
		1,185,472,524	755,454,860
Equity			
Capital stock	19	4,112,140,540	4,112,140,540
Additional paid-in capital	19	66,609,227	66,609,227
Retained earnings	3,19	785,957,863	785,371,773
Accumulated actuarial losses on defined benefit plan	3	(20,209,445)	(20,209,445)
		4,944,498,185	4,943,912,095
TOTAL LIABILITIES AND EQUITY		P 9,584,182,630	P 9,337,373,449

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(With Comparative Figures for 2013 and 2012
(In Philippine Peso)

	Notes	Years Ended December 31		
		2014	2013	2012
REVENUES	22	P 4,703,582,459	P 4,566,888,124	P 4,498,962,414
COST OF GOODS MANUFACTURED AND SOLD	23	3,295,804,793	3,221,801,357	3,156,386,387
GROSS PROFIT		1,407,777,666	1,345,086,767	1,342,576,027
OPERATING EXPENSES				
Administrative and selling expenses	24	668,136,755	676,774,966	649,084,111
Distribution expenses	25	277,868,547	245,167,355	231,184,371
		946,005,302	921,942,321	880,268,482
OPERATING INCOME		461,772,364	423,144,446	462,307,545
OTHER INCOME (CHARGES)				
Interest expense	27	(188,956,018)	(182,412,278)	(187,006,419)
Foreign exchange gain (loss)		3,595,391	8,280,501	(11,619,868)
Net gain on disposal of investment in subsidiary	1,11	-	-	851,261,419
Provision for impairment losses on property, plant and equipment	1,11	-	-	(380,949,989)
Loss on disposal of property, plant and equipment		-	(115,461)	(123,761)
Finance income	26	11,516,001	9,659,185	8,406,216
Miscellaneous	28	12,086,014	13,864,205	7,535,421
		(161,758,612)	(150,723,848)	287,503,019
INCOME BEFORE INCOME TAX		300,013,752	272,420,598	749,810,564
PROVISION FOR INCOME TAX	30	92,823,926	83,699,399	88,190,479
NET INCOME		207,189,826	188,721,199	661,620,085
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit and loss				
Remeasurement losses on defined benefit plan		-	(724,034)	(13,857,296)
Income tax effect	29	-	217,210	4,157,189
		-	(506,824)	(9,700,107)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY*		P 207,189,826	P 188,214,375	P 651,919,978
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	32	P 0.05	P 0.05	P 0.16

See Notes to Consolidated Financial Statements.

*There is no non-controlling interest since all the subsidiaries are wholly-owned.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(With Comparative Figures for 2013 and 2012)

(In Philippine Peso)

	Years ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 300,013,752	P 272,420,598	P 749,810,564
Adjustments for:			
Prior period adjustments	3 (996,709)	(4,055,761)	(19,259,619)
Depreciation and amortization	11,24,25 299,238,007	281,540,279	256,244,897
Interest expense	27 188,956,018	182,412,278	187,006,419
Retirement expense	29 1,696,392	12,209,756	10,884,952
Net gain on disposal of investment in subsidiary	1 -	-	(851,261,419)
Provision for impairment losses on property and equipment	11 -	-	380,949,989
Provision for impairment losses	3,8 2,553,612	2,652,019	2,407,024
Foreign exchange (gain) loss	(3,595,391)	(8,280,501)	11,619,868
Finance income	26 (11,516,001)	(9,659,185)	(8,406,216)
Operating income before working capital changes	786,349,680	729,239,483	719,996,459
Changes in assets and liabilities:			
Increase in:			
Trade and other receivables	5,8,35 (776,392,271)	11,719,562	(267,864,031)
Inventories	5,9 143,572,231	(365,576,436)	(218,582,637)
Other current assets	10,35 (7,271,580)	(24,250,696)	(28,322,882)
Other noncurrent assets	3,7 632,740,798	25,320,411	(647,204,035)
Increase (decrease) in:			
Trade payables	15,37 25,004,374	19,665,585	115,912,770
Acceptances payable	17,37 (181,991,611)	93,983,568	(37,796,779)
Other current liabilities	19,37 (18,423,478)	(5,009,413)	(5,792,516)
Other non-current liabilities	885,660	-	(1,800,000)
Cash generated from operations	604,473,803	485,092,064	(371,453,651)
Interest paid	26 (188,956,018)	(182,412,278)	(187,006,419)
Retirement benefits paid	29 (10,515,106)	(5,637,432)	(5,799,846)
Income tax paid	(82,226,009)	(74,975,895)	(101,448,949)
Dividend received	25 -	-	8,100
Interest received	7,25 11,516,001	9,659,185	8,398,116
Net cash provided by (used in) operating activities	334,292,671	231,725,644	(657,302,649)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment	3,11,16 (268,645,433)	(378,230,388)	(397,305,859)
Intangible assets	13 -	-	(6,060)
Proceeds from sale of investment in subsidiary	1 -	-	1,101,720,734
Net cash provided by (used in) investing activities	(268,645,433)	(378,230,388)	704,408,815
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans, net	11,16,35 415,276,050	217,150,003	120,909,948
Payment of installment contract payable	-	-	(141,462,707)
Dividends paid	19 (205,607,027)	(205,607,027)	(123,364,221)
Net cash provided by (used in) financing activities	209,669,023	11,542,976	(143,916,980)
NET INCREASE (DECREASE) IN CASH	275,316,261	(134,961,768)	(96,810,814)
CASH, BEGINNING OF YEAR	825,485,867	960,447,635	1,057,258,449
CASH, END OF YEAR	7,20,35 P 1,100,802,128	P 825,485,867	P 960,447,635

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 (With Comparative Figures for 2013 and 2012)
 (In Philippine Peso)

		For the Year Ended December 31, 2014					
	Notes	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 3, 19)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 29)	Total	
As at January 1, 2014, as previously presented		P 4,112,140,540	P 66,609,227	P 785,371,773	P (20,209,445)	P 4,943,912,095	
Prior period adjustment				(996,709)	-	(996,709)	
As at January 1, 2014, as restated		4,112,140,540	66,609,227	784,375,064	(20,209,445)	4,942,915,386	
Total comprehensive income:				207,189,826	-	207,189,826	
Net income		-	-	207,189,826	-	207,189,826	
Other comprehensive loss		-	-	-	-	-	
Actuarial losses on retirement benefit plan	3	-	-	(205,607,027)	-	(205,607,027)	
Cash dividend	3,19	-	-	-	-	-	
As at December 31, 2014		P 4,112,140,540	P 66,609,227	P 785,957,863	P (20,209,445)	P 4,944,498,185	
For the Year Ended December 31, 2013							
	Notes	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 3, 19)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 29)	Total	
As at January 1, 2013, as restated		4,112,140,540	66,609,227	801,663,226	(19,702,621)	4,960,710,372	
Prior period adjustments				594,375	-	594,375	
As at January 1, 2013, as restated		4,112,140,540	66,609,227	802,257,601	(19,702,621)	4,961,304,747	
Total comprehensive income:				188,721,199	-	188,721,199	
Net income		-	-	188,721,199	-	188,721,199	
Other comprehensive loss		-	-	-	-	-	
Actuarial losses on retirement benefit plan	3	-	-	(205,607,027)	-	(205,607,027)	
Cash dividend	3,19	-	-	-	(506,824)	(506,824)	
As at December 31, 2013		P 4,112,140,540	P 66,609,227	P 785,371,773	P (20,209,445)	P 4,943,912,095	

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 (With Comparative Figures for 2013 and 2012)
 (In Philippine Peso)

	For the Year Ended December 31, 2012					
	Notes	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 3, 19)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 29)	Total
As at January 1, 2012,		4,112,140,540	66,609,227	263,407,362	(10,002,514)	4,432,154,615
Total comprehensive income		-	-	661,620,085	-	661,620,085
Net income		-	-	-	-	-
Other comprehensive loss		-	-	-	-	-
Actuarial losses on retirement benefit plan	3	-	-	-	(9,700,107)	(9,700,107)
Cash dividend	3, 19	-	-	(123,364,221)	-	(123,364,221)
As at December 31, 2012, as restated		P 4,112,140,540	P 66,609,227	P 801,663,226	P (19,702,621)	P 4,960,710,372

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Euro-Med Laboratories Phil., Inc. (Euro-Med or the Company) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 29, 1988 under SEC Registration No. 148022. Its registered office address is at PPL Building, United Nations Avenue corner San Marcelino St., Manila. Euro-Med is 58.41% owned by U.S Automotive, Inc., which is also incorporated in the Philippines.

Euro-Med began its commercial production in 1991 after it has been registered with the Food and Drug Administration (FDA) formerly (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.

The common shares of Euro-Med were listed beginning July 02, 1998 and have since been traded in the Philippine Stock Exchange, Inc.

The Parent Company and its subsidiaries (collectively referred to as the Group) are involved primarily in the manufacture of pharmaceutical products, operation of dialysis center and development and operation of Quick Service Restaurant (QSR).

On May 9, 2012, the Euro-Med entered into a Share Purchase Agreement (the Agreement) with SM Development Corporation (SMDC) and sold all its shares of stock in 102 EDSA for a total consideration of P1.25 billion. A 50% down payment of the total consideration, equivalent to P625.0 million, was received on May 9, 2012 and the remaining balance of P625.0 million will be paid at the end of the thirty-sixth (36th) month from the signing of the Agreement or any other date as the parties may agree in writing. 102 EDSA owns a land consisting of about 10,936 square meters located at 102 E. De Los Santos Avenue, Mandaluyong City on which the Euro-Med's Mandaluyong plant is located.

Euro-Med recognized a net capital gain of P851.3 million from the disposal of its investment in shares of stocks in 102 EDSA. The capital gain is net of: a) the cost of investment amounting to P250.4 million; b) broker's commission of P50 million; c) legal and professional fees of P2.4 million; and d) capital gains tax of P95.9 million.

Transfer of the shares to SMDC is expected to occur at the agreed closing date and turn-over of 102 EDSA's land devoid of Euro-Med's Mandaluyong plant and all improvements therein. In relation to the sale of investment in 102 EDSA, the Euro-Med recognized an impairment loss of P380.9 million on the plant assets which will be demolished upon turn-over of land to SMDC. The computation of the impairment loss and the assumptions used are disclosed in Note 11.

The sale of all the shares of 102 EDSA to SMDC was authorized, approved and ratified by the stockholders during the annual shareholders' meeting held on June 20, 2012.

Authorization for Issue of the Financial Statements

These consolidated financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the Board of Directors (BOD) on April 14, 2015.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's presentation and functional currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC pronouncements.

Basis of Consolidation

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its return.

Where the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the amount of any NCI
- Derecognizes the cumulative translation difference recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets and liabilities.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

	Percentage of Ownership			
	2014		2013	
	Direct	Indirect	Direct	Indirect
Hemotek Renal Center, Inc. (Hemotek)	100.00	-	100.00	-
CafeFrance Corp. (CafeFrance)	100.00	-	100.00	-

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.

3. Changes in Accounting Policies

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 01, 2014.

The nature and impact of each new standard and amendment is described below:

- **Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)**
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively subject to certain relief. These amendments have no impact to the Group, since none of its investee companies qualifies to be an investment entity under PFRS 10.
- **Amendments to PAS 36, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets***
The amendments remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment on the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures require by PFRS 13, *Fair Value Measurements*. The adoption of these amendments has no material impact on the disclosures in the Group's consolidated financial statements.
- **PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)**
The amendments clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements since it has no offsetting arrangements.
- **PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*,**
The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment does not have any significant impact on the Group's financial position or performance.

- **Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)**
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of the standard has no impact on the consolidated financial statements.
- **Annual Improvements to PFRSs (2010-2012 cycle)**
In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies the short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the consolidated financial statements.
- **Annual Improvements to PFRSs (2011-2013 cycle)**
In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards – First Time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact to the Group as it is not a first time PFRS adopter.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 01, 2014, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

- **PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)**
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that as the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 may have an effect on the classification and measurement of the Group's financial assets, but may potentially have no significant impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The

Group will continue to monitor developments in this reporting standard and assess its impact on or need for adoption.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials, and where the risk and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on the stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard against the practices of the Philippine real estate industry is completed. This will not have any impact on the Group's financial statements.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by the BOA.

Effective January 01, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments) PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.
- Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 01, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, Share-based Payment – Definition of Vesting Condition

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 01, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, Related Party Disclosures – Key Management Personnel

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the consolidated financial statements. They include:

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.

This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, Fair Value Measurement – Portfolio Exception

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, Investment Property

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 01, 2016

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The

amendments are effective prospectively for annual periods beginning on or after January 01, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- **PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendments)**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 01, 2016, with early adoption permitted. These amendments are not expected to have any impact to the consolidated financial statements as the Group does not have any bearer plants.
- **PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 01, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- **PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 01, 2016.
- **PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)**

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 01, 2016, with early adoption permitted. These amendments are not expected to have any significant impact to the Group.

- *PFRS 14, Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 01, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- *Annual Improvements to PFRSs (2012-2014 cycle)*
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, Financial Instruments: Disclosures – Servicing Contracts

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, Employee Benefits – regional market issue regarding discount rate

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 01, 2018

- **PFRS 9, *Financial Instruments*** – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 may have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group will continue to monitor developments in this reporting standard and assess its impact on or need for adoption by the Group.

- **PFRS 9, *Financial Instruments* (2014 or final version)**
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 01, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 01, 2015.

The adoption of PFRS 9 may have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group will continue to monitor developments in this reporting standard and assess its impact on or need for adoption.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- **IFRS 15, *Revenue from Contracts with Customers***
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 01, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting Policies

Cash

Cash includes cash on hand and in banks which are stated at face value.

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or financial liability in the consolidated 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 Group 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 Group 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 financial reporting date.

Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include derivatives, financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if any of the following criteria are met:

- i. 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
- ii. the assets or liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- iii. the financial instrument contains an embedded derivative that would need to be separately recorded.

As at December 31, 2014 and 2013, the Group has no financial assets and financial liabilities 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 Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. Moreover the Group would be prohibited to classify any financial assets as HTM investments for the following two (2) years. 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

consolidated 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 consolidated statement of comprehensive income.

As at December 31, 2014 and 2013, the Group has no investment under this category.

Loans and receivables

Loans and receivables are non-derivative 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 consolidated 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.

These are considered as noncurrent asset if maturity is more than one year from the financial position date.

As at December 31, 2014 and 2013, the Group's 'Cash in banks' and 'Receivables' are included in this category.

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 consolidated statement 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.

AFS investments are classified as current, if these investments are expected to be realized within twelve (12) months from the financial position date. Otherwise, AFS investments are classified as noncurrent.

As at December 31, 2014 and 2013, the Group has financial instruments classified as AFS included under non-current assets (see Note 13).

Other financial liabilities

This classification relates to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are recognized at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium.

Other financial liabilities pertain to 'Trade payables', 'Notes payable – including current portion', 'other current liabilities' and 'other non-current liabilities'.

Other financial liabilities include interest-bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Gains and losses are recognized under the 'other income (charges)' account in the consolidated statement of comprehensive income when the liabilities are derecognized or impaired, as well as through amortization process.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 Group 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 Group 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 Group 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 Group'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 Group 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 consolidated statement of comprehensive income.

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group 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 Group 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 consolidated 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 consolidated 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

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 consolidated statement of comprehensive income – is removed from the equity and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated 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 accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. This is recorded as part of "Investment income" in the consolidated 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 consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

HTM investments

For HTM investments, the Group assesses whether there is objective evidence of 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 estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. If subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amount formerly charged are credited to the 'Provision for impairment losses' in the consolidated statement of comprehensive income and the allowance account, reduced. The HTM investments, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

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 Group; 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 Group 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.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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. This is not generally the case with master netting agreements, and any related assets and liabilities are presented at gross amounts in the consolidated statements of financial position.

Inventories

Finished goods and raw materials are valued at the lower of cost and net realizable value (NRV).

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.

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 NRV, the Group considers any adjustments necessary for obsolescence. NRV for raw materials is the current replacement cost.

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, if any.

The initial cost of property, plant 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.

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, plant and equipment.

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.

Fully-depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period the asset is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is computed on a straight-line basis over their estimated useful life of 20 years.

The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Group assessed the useful life of trademarks and license to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademarks and licenses with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derocognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derocognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

The carrying amounts of property, plant and equipment and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and licenses with indefinite useful lives are tested annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash generating units are written down to estimated recoverable amounts. The recoverable amount of the asset is the greater of 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 between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only 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 profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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 substantively enacted as of reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry-forward benefits of MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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 authority.

Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'Other current assets' or 'Other current liabilities', in the consolidated statement of financial position.

Provisions

Provisions are recognized when: (a) the Group has 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. Provisions are reviewed every end of the reporting period and adjusted to reflect the current best estimate. 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 assessment 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 in consolidated statement of comprehensive income.

Equity

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Additional paid in capital includes any premium received in excess of par value on the issuance of capital stock.

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Other comprehensive income (OCI) are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

Dividend Distributions

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Group. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

Revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. 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:

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.

Service income is recognized when the related services has been rendered.

Rental income is recognized in the consolidated 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 is recognized when the shareholders' right to receive payment is established.

Interest income is recognized as the interest accrues, taking into account the effective yield of the asset.

Royalty income is recognized as the royalty accrues based on certain percentages of the franchisees' net sales.

Other income is recognized when earned.

Costs and Expenses

Cost and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of goods manufactured and sold is recognized as expense when the related goods are sold.

Selling expenses are costs incurred to sell or distribute merchandise, it includes advertising and promotions and freight and handling, among others.

General, selling and administrative expenses are charged against current operations as incurred.

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.

Retirement Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset. Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate

that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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.

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).

Group 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 consolidated 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.

Group as a lessor

Leases where the Group 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.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at reporting date. Non-monetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are recognized in profit or loss.

Earnings per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group by the weighted average number of common shares outstanding during the year, excluding capital stock purchased by the Group and treated as treasury shares after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares outstanding that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The Group does not have any dilutive potential common shares, thus, diluted EPS is the same as basic EPS.

Related Party Relationships and Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchase between business segments and between geographical segments. Such sales and purchases are eliminated in consolidation.

Contingencies

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

Events after the End of Reporting Period

Events after the end of reporting period that provides additional information about the Group's position at the end of reporting period (adjusting event) are reflected in the financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

5. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group 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 consolidated 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

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

Functional currency

The Group's transactions are denominated or settled in different currencies in United States Dollar (US \$), South African Rand (ZAR) and Russian Ruble (RUB). The Group has determined that its functional currency is the Philippine Peso, which is the currency that most faithfully represents the economic substance of its underlying transactions, events and conditions.

Classification of financial instruments

The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, 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 Group's consolidated statements of financial position.

Determination of type of lease - operating lease

The Group has lease agreements in respect of its depots and office. The Group evaluates whether significant risks and rewards of ownership of the leased properties retained by the lessor (operating lease). The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that all significant risk and rewards of ownership over the leased properties are retained by the lessor. The leases are, therefore, accounted for as operating leases (see Note 30).

Total lease expense arising from operating leases amounted to P280.3 million, 273.1 million and P250.4 million in 2014, 2013 and 2012, respectively (see Note 30).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Measurement of NRV of inventories

The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The Group's inventories carried at cost as at December 31, 2014 and 2013 amounted to P1.4 billion and P1.5 billion, respectively (see Note 9).

Impairment of loans and receivables

The Group 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 Group 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 8):

	2014	2013
Receivables	P 2,419,064,342	P 1,640,118,459
Allowance for impairment losses	41,998,709	39,445,097
Provision for impairment losses	2,553,612	2,652,019

Impairment of AFS financial assets

The computation for the impairment of AFS financial assets requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry performance, legal and regulatory framework, and other factors that affect the recoverability of the Group's investments. Further, the impairment assessment would include an analysis of the significant or prolonged decline in fair value of the investments below its cost.

As at December 31, 2014 and 2013, the carrying value of the Group's AFS financial assets amounted to P0.2 million and P0.3 million, respectively (see Note 13).

Estimation of useful lives of property, plant and equipment

The Group 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 11):

	2014	2013
Cost	P 6,831,855,475	P 6,567,890,814
Accumulated depreciation and amortization and impairment losses	3,123,273,270	2,828,716,035
Depreciation and amortization	299,238,007	281,540,279

Estimated useful lives of intangible assets with finite lives

The useful lives of intangible assets are assessed at the individual level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Group.

Intangible asset with finite useful lives amounted to P1.3 million and to P1.5 million as at December 31, 2014 and 2013, respectively (see Note 12).

Impairment of trademarks and licenses with indefinite lives

The Group determines whether trademarks and licenses are impaired at least annually. This requires the estimation of the value in use of the trademarks and licenses. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and license and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of trademarks and license with indefinite useful lives amounted to P223.4 million as at December 31, 2014 and 2013 (see Note 12).

Asset Impairment

The Group 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 Group 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;
- significant negative industry or economic trends; and
- significant changes with an adverse effect on the Group during the period, or are expected to take place in the future, in the extent to which, or manner in which, an asset is used or is expected to be used.

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 Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group recognized impairment losses on property, plant and equipment amounting to nil in 2014 and 2013 and P380.9 million in 2012 (see Note 11).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at the end of each reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets recognized in the consolidated statement of financial position amounted to 42.6 million and P47.7 million as at December 31, 2014 and 2013, respectively (see Note 29).

Estimation of retirement benefits cost and liability

The cost of defined benefit retirement plans and as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making

various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and expected return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Retirement benefit obligation as at December 31, 2014 and 2013 amounted to P96.5 million and P95.3 million, respectively. Further details are provided in Note 21.

Provision and contingencies

The Group 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 Group currently does not believe these proceedings will have a material effect on the Group'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.

No provisions have been recorded as at December 31, 2014 and 2013 (see Note 31).

6. Segment Information

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and service provided, with each segment representing a strategic business unit that offers different products and serve different markets.

- The manufacturing segment is involved in the manufacture of pharmaceutical products.
- The service segment is involved in operation of dialysis centers.
- The food service segment is involved in the operations of quick service restaurant (QSR), catering, food production and other related services.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

The following tables present certain information on revenue, expenses, assets and liabilities and other segment information of the different business segments as at December 31, 2014 and 2013 and for each of the two years in the period ended December 31, 2014:

		2014									
		Manufacturing		Service		Food		Elimination		Total	
		<i>(amounts in thousands)</i>									
Segment revenue	P	3,200,236	P	327,530	P	1,218,928		(43,111)	P	4,703,583	
Segment expense		2,755,946		317,558		1,211,416		(43,111)		4,241,809	
Operating income		444,290		9,972		7,512		-		461,774	
Other income (charges)		(160,352)		(1,395)		(12)		-		(161,759)	
Income before tax		283,938		8,577		7,500		-		300,015	
Provision for income tax		85,172		2,842		4,810		-		92,824	
Segment net income	P	198,766	P	5,735	P	2,690	P	-	P	207,191	
Assets and Liabilities											
Segment assets	P	8,846,079	P	677,528	P	1,272,189	P	(1,189,928)	P	9,605,868	
Deferred tax assets		40,745		297		1,571		-		42,613	
Total assets	P	8,886,824	P	677,825	P	1,273,760	P	(1,189,928)	P	9,648,481	
Segment liabilities	P	3,940,538	P	411,152	P	917,607	P	(616,032)	P	4,653,265	
Long-term debt		1,047,825		-		133,336		-		1,181,161	
Income tax payable		45,355		-		1,613		-		46,968	
Total liabilities	P	5,033,718	P	411,152	P	1,052,556	P	(616,032)	P	5,881,394	
Other segment information											
Capital expenditures	P	47,130	P	21,241	P	200,275	P	-	P	268,646	
Depreciation and amortization		169,548		32,177		97,512		-		299,237	

		2013									
		Manufacturing		Service		Food		Elimination		Total	
		<i>(amounts in thousands)</i>									
Segment revenue	P	3,000,915	P	326,430	P	1,288,191		(48,648)	P	4,566,888	
Segment expense		2,590,508		318,164		1,283,720		(48,648)		4,143,744	
Operating income		410,407		8,266		4,471		-		423,144	
Other income (charges)		(152,415)		(279)		1,970		-		(150,724)	
Income before tax		257,992		7,987		6,441		-		272,420	
Provision for income tax		79,683		2,394		1,522		-		83,699	
Segment net income	P	178,309	P	5,593	P	4,819	P	-	P	188,721	
Assets and Liabilities											
Segment assets	P	8,632,446	P	605,555	P	1,129,931	P	(1,072,908)	P	9,295,024	
Deferred tax assets		39,847		230		7,620		-		47,697	
Total assets	P	8,672,293	P	605,785	P	1,137,551	P	(1,072,908)	P	9,342,721	
Segment liabilities	P	2,954,949	P	345,144	P	1,425,490		(1,121,147)	P	3,604,436	
Long-term debt		751,696		-		1,210		-		752,906	
Income tax payable		40,266		-		1,201		-		41,467	
Total liabilities	P	3,746,911	P	345,144	P	1,427,901	P	(1,121,147)	P	4,398,809	
Other segment information											
Capital expenditures	P	127,622	P	92,702	P	157,906	P	-	P	378,230	
Depreciation and amortization		181,034		22,643		77,863		-		281,540	

7. Cash

This account consists of:

	2014	2013
Cash on hand and revolving funds	P 44,844,679	P 40,934,381
Cash in banks	1,055,957,449	784,551,486
	P 1,100,802,128	P 825,485,867

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P11.5 million, P9.7 million, and P8.4 million in 2014, 2013 and 2012, respectively (see Note 30).

As at December 31, 2014 and 2013, cash in banks include foreign currency-denominated deposits amounting to \$9.9 million or P441.3 million and \$8.7 million or P388.2 million, respectively (see Note 30).

8. Receivables

This account consists of:

	2014	2013
Trade	P 1,787,284,514	P 1,635,532,261
Receivable from SMDC	625,000,000	-
Non-trade receivables	6,779,828	4,586,198
	2,419,064,342	1,640,118,459
Less allowance for impairment losses	(41,998,709)	(39,445,097)
	P 2,377,065,633	P 1,600,673,362

Trade receivables are non-interest bearing and are generally on a 30-120 day credit term.

Receivable from SMDC refers to the 50% balance from the sale of investment in shares of stocks in 102 EDSA, is non-interest bearing and due in May 2015 (see Note 1).

Non-trade receivables pertain to the amounts due from various third parties for transactions not directly related to its normal course of business.

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 receivables and on an evaluation of the current status of the account. Allowance for impairment losses relates to trade receivables. No allowance was provided on non-trade receivables. Changes in the allowance for impairment losses as of December 31, 2014 and 2013 are as follows:

	2014	2013
Balance, January 1	P 39,445,097	P 36,793,078
Provision for the year	2,553,612	2,652,019
	P 41,998,709	P 39,445,097

As at December 31, 2014 and 2013, the creation of provision for impaired receivables have been included in the 'administrative and selling expenses' in the consolidated statement of comprehensive income (Note 24).

9. Inventories

The account consists of:

	2014	2013
Raw materials and supplies		
Raw materials	P 232,614,606	P 321,280,040
Foods	55,781,327	47,685,421
Medical supplies	83,614,674	68,004,952
Packaging and supplies	8,078,968	6,906,415
Total	380,089,575	443,876,828
Finished goods	981,593,753	1,061,378,731
	P 1,361,683,328	P 1,505,255,559

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:

	2014	2013
Raw materials	P 366,549,188	P 517,714,847
Finished goods	1,258,502,430	1,359,891,498
Medicines and medical supplies	87,795,408	71,405,200
	P 1,712,847,026	P 1,949,011,545

The cost of inventories recognized as expense in the consolidated statement of comprehensive income amounted to P2.0 billion, P1.3 billion and P0.9 billion in 2014, 2013 and 2012, respectively (see Note 23).

10. Other Current Assets

This account consists of:

	2014	2013
Current portion of prepaid marketing development expense and other prepayments	P 126,977,484	P 144,811,439
Advances to suppliers and contractors	70,370,519	74,320,244
Bidders and performance bonds	46,086,800	42,441,392
Current portion of advances to officers and employees	45,824,770	23,422,433
Creditable withholding VAT	9,584,539	9,584,539
Creditable withholding tax	4,685,612	4,113,115
Others	2,502,704	67,686
	P 306,032,428	P 298,760,848

Prepaid marketing development expense refers to the amount stipulated in the Group's sales contracts, which are to be amortized within the next twelve (12) month period. Other prepayments consist of advance payments for advertising, rentals, insurance and other miscellaneous expenses which are normally utilized within the next financial year.

Advances to suppliers represent various partial payments for the purchase orders of materials and packaging supplies. Advances to contractors pertain to payment of partial cost of contract to renovate leased stores and branches. The amounts are non-interest bearing.

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 pertain to housing, car, salary and other loan granted to the Group's officers and employees which are collectible through salary deduction. These are non interest bearing and have various maturity dates ranging from 2015 to 2020.

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

Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against income tax payable.

11. Property, Plant and Equipment

The roll-forward analysis of this account as at December 31, 2014:

		Land and Land improvements	Building and Leasehold improvements	Machineries and equipment	Transportation equipment	Office furniture and equipment	Total
Cost							
At January 01, 2014	P	40,540,723	P 1,093,711,940	P 5,257,506,618	P 46,703,876	P 129,427,657	P 6,567,890,814
Additions		-	222,273,595	40,120,963	376,824	5,874,051	268,645,433
Retirements/disposals		-	(3,263,023)	(746,881)	-	(670,868)	(4,680,772)
At December 31, 2014		40,540,723	1,312,722,512	5,296,880,700	47,080,700	134,630,840	6,831,855,475
Accumulated depreciation and amortization and impairment losses							
At January 01, 2014		15,828,966	339,132,419	2,429,039,383	19,372,491	25,342,776	2,828,716,035
Depreciation and amortization		782,684	77,487,488	201,839,390	3,085,099	16,043,346	299,238,007
Retirements/disposals		-	(3,263,023)	(746,881)	-	(670,868)	(4,680,772)
At December 31, 2014		16,611,650	413,356,884	2,630,131,892	22,457,590	40,715,254	3,123,273,270
Net book value	P	23,929,073	P 899,365,628	P 2,666,748,808	P 24,623,110	P 93,915,586	P 3,708,582,205

The roll-forward analysis of this account as at December 31, 2013:

		Land and Land improvements	Building and Leasehold improvements	Machineries and equipment	Transportation equipment	Office furniture and equipment	Total
Cost							
At January 01, 2013	P	40,540,723	P 861,312,105	P 5,132,334,696	P 47,915,394	P 110,475,735	P 6,192,578,653
Additions		-	232,399,835	125,184,791	1,693,840	18,951,922	378,230,388
Retirements/disposals		-	-	(12,869)	(2,905,358)	-	(2,918,227)
At December 31, 2013		40,540,723	1,093,711,940	5,257,506,618	46,703,876	129,427,657	6,567,890,814
Accumulated depreciation and amortization and impairment losses							
At January 01, 2013		15,036,936	284,992,627	2,217,556,009	17,738,575	13,182,162	2,548,506,309
Depreciation and amortization		792,030	54,139,792	211,487,449	2,960,394	12,160,614	281,540,279
Retirements/disposals		-	-	(4,075)	(1,326,478)	-	(1,330,553)
At December 31, 2013		15,828,966	339,132,419	2,429,039,383	19,372,491	25,342,776	2,828,716,035
Net book value	P	24,711,757	P 754,579,521	P 2,828,467,235	P 27,331,385	P 104,084,881	P 3,739,174,779

Depreciation and amortization expense charged to operations amounted to P299.2 million, P281.5 million and P256.2 for the years ended December 31, 2014, 2013 and 2012, respectively, broken down as follows:

	2014	2013	2012
Charged to:			
Factory overhead	P 249,331,097	P 250,960,654	P 235,119,202
Administrative and selling expenses	45,317,603	25,974,920	16,589,312
Distribution expenses	4,589,307	4,604,705	4,536,383
	P 299,238,007	P 281,540,279	P 256,244,897

In 2012, Euro-Med sold its investment in shares of stock in 102 EDSA that owns the land where the Group's Mandaluyong plant is located. In relation to the sale, the Group recognized impairment losses on property, plant and equipment amounting to P380.9 million which is recognized in the consolidated statement of comprehensive income under 'other income (charges)'. The impairment loss is computed as the excess of the property's carrying value over its recoverable amount. The recoverable amount was based on value in use calculation using cash flow projections for the remaining years that the related property, plant and equipment are available for use and was determined at the level of the cash-generating unit (CGU). The CGU consisted of various property, plant and equipment, primarily building improvements and machinery equipment, related to the Group's Mandaluyong Plant which are to be demolished at the end of the thirty-sixth (36th) month from the signing of the contract on May 09, 2012 relating to the sale of the investment of shares of stocks in 102 EDSA.

The following assumptions were used in the calculation of value in use:

Gross margins are based on average values achieved in the periods immediately before the budget period. There are increases over the budget periods for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount rates used are the weighted-average cost of capital, which reflects the management's estimate of the risk specific to the assets. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

The total cost of fully depreciated property, plant and equipment which are still used amounted to P76.6 million and P69.6 million as at December 31, 2014 and 2013, respectively.

Property, plant and equipment with an aggregate value of approximately P2.0 billion have been pledged as security for long-term debts as at December 31, 2014 and 2013 (see Note 16).

12. Intangible Assets

This account consists of:

	2014		2013	
Trademarks and licenses	P	223,399,836	P	223,399,836
Patents and rights		1,325,712		1,505,966
	P	224,725,548	P	224,905,802

Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Company acquired from Stiefel Laboratories, Inc., and Glaxosmithkline Philippines, Inc. in 2011.

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 as at December 31 2014 and 2013 are as follows:

	2014		2013	
Beginning balance	P	1,505,966	P	1,686,220
Amortization during the period		(180,254)		(180,254)
	P	1,325,712	P	1,505,966

No impairment loss on intangible assets was recognized in 2014, 2013 and 2012.

13. Other Non-current Assets

This account consists of:

	2014	2013
Prepaid marketing and development expense - net of current portion <i>(Note 10)</i>	P 322,288,522	P 291,614,498
Receivable from SMDC <i>(Notes 1 and 8)</i>	-	625,000,000
Deferred input VAT	53,676,814	40,389,610
Rental and security deposits	51,218,810	98,368,003
Advances to officers and employees - net of current portion <i>(Note 10)</i>	35,195,768	37,397,632
Others	298,996	2,649,965
	P 462,678,910	P 1,095,419,708

Deferred input VAT refers VAT 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 or sixty (60) months, whichever is shorter.

Rental and security deposits represent deposits made on lease contracts of various branches and commissary which are recoverable at the end of lease terms.

Other non-current assets include available-for-sale financial assets amounting to P0.2 and P0.3 million in 2014 and 2013.

14. Trade Payables

Trade payable mainly includes unpaid billings from the Group's suppliers of raw materials, distributed products and other services. These are non-interest-bearing and normally settled within one (1) year. As at December 31, 2014 and 2013, trade payables amounted to P530.1 million and P505.1 million, respectively.

15. Trust Receipts Payable

This account represents trust receipts on letters of credit obtained from various local banks for the importation of various raw materials which bears interest ranging from 3.5% to 6.0% per annum in 2014 and 4.5% to 6.0% per annum in 2013. 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. As at December 31, 2014 and 2013, outstanding trust receipts payable amounted to P125.7 million and P307.8 million, respectively.

16. Notes Payable and Long-term Loans

This account consists of:

	2014	2013
Notes payable	P 2,308,600,000	P 2,547,700,000
Long-term loans	1,474,786,000	820,409,950
	P 3,783,386,000	P 3,368,109,950

The movements of this account are as follows:

	2014	2013
Balance, beginning of year	P 3,368,109,950	P 3,150,959,950
Availments during the year	2,372,000,000	1,301,287,500
Payments during the year	(1,956,723,950)	(1,084,137,500)
Balance, end of year	3,783,386,000	3,368,109,950
Less: current portion	2,698,025,332	2,710,700,000
	P 1,085,360,668	P 657,409,950

Notes payable consist of unsecured Philippine peso-denominated promissory notes obtained from local banks amounting to P2,308.6 million and P2,547.7 million as of December 31, 2014 and 2013, respectively, with due dates of less than one year. These loans bear interest rates ranging from 4.0% to 7.0% in 2014 and 2.8% to 6.0% in 2013.

The Group has Omnibus Credit lines in the aggregate amount of about P4.0 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.

Long term-loans pertain 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 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. The details of property, plant and equipment pledged as security to these loans follow:

	2014	2013
Land	P 152,519,000	P 152,519,000
Building and building improvements	200,792,000	200,792,000
Machineries and equipment	1,669,053,000	1,669,053,000
	P 2,022,364,000	P 2,022,364,000

Land is stated at appraised value as determined by the bank's independent valuers. The titles of real estate properties were not restricted.

Long term loans mature until 2019 and bear interest rates ranging from 3.32%-8.50% in 2014 and 2.72%-8.50% in 2013. The maturities of long-term loan at nominal values as at December 31, 2014 and 2013 follow:

Description	Interest rates	2014			Total
		Within 1 year	More than 1 year but less than 3 years	More than 3 years	
<i>(amounts in thousands)</i>					
Term loans	3.32%-8.5%	P 389,425	P 929,785	P 155,576	P 1,474,786

Description	Interest rates	2013			Total
		Within 1 year	More than 1 year but less than 3 years	More than 3 years	
<i>(amounts in thousands)</i>					
Term loans	2.72%-8.5%	P 163,000	P 359,243	P 298,167	P 820,410

Total interest expenses recognized amounted to P189.0 million, P182.4 million and P187.0 in 2014, 2013 and 2012, respectively (see Note 27).

17. Other Current Liabilities

This account consists of:

	2014	2013
Accrued expenses	P 24,861,890	P 41,640,189
VAT payable	17,159,658	13,625,230
Withholding taxes	7,428,163	8,974,705
SSS/Pagibig/Philhealth premium payables	3,369,515	3,459,970
Others	1,679,695	5,222,305
	P 54,498,921	P 72,922,399

Accrued expenses represent accrual for purchases of finished goods inventories, raw materials, and services and various fixed operating expenses which statements of accounts were not yet received before the close of the taxable year.

Others include deferred revenue and advances from customers.

18. Other Noncurrent Liabilities

This account consists of advance rental and refundable deposits amounting to P3.6 million and P2.7 million in 2014 and 2013.

19. Equity

Capital Stock

As at December 31, 2014 and 2013, the Company has an authorized capital stock of 5,000 million with a par value of P1 a share, of which 4,112 million shares were issued.

Additional Paid-in Capital

Additional paid-in capital (APIC) is the difference between the proceeds and the par value when the shares are sold at a premium. Contributions received from shareholders are recorded at the fair value of the items received with the credit going to share capital and any excess to APIC.

Retained Earnings and Dividends

In accordance with the SRC Rule 68, as Amended (2011), Annex 68-C, the Company's retained earnings available for dividend declaration as of December 31, 2014 and 2013 amounted to P801.4 million and P733.0 million, respectively.

In a meeting held on May 20, 2014, the BOD unanimously approved the declaration of cash dividend of P0.05 per share to be taken from the unrestricted retained earnings of the Parent Company as of December 31, 2013, to all stockholders of record as of June 19, 2014 and payable on July 11, 2014.

In a meeting held on May 22, 2013, the BOD unanimously approved the declaration of cash dividend of P0.05 per share to be taken from the unrestricted retained earnings of the Parent Company as of December 31, 2012, to all stockholders of record as of June 20, 2013 and payable on July 12, 2013.

In a meeting held on June 11, 2012, the BOD unanimously approved the declaration of cash dividend of P0.03 per share to be taken from the unrestricted retained earnings of the Company as of December 31, 2011, to all stockholders of record as of July 10, 2012 and payable on August 03, 2012.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes for the years ended December 31, 2014, 2013 and 2012.

The Company monitors using a gearing ratio of debt to equity and net debt to equity. Debt consists of notes payable and long-term debt. Net debts include short-term and long-term debt less cash. The Company considers as capital the equity attributable to equity holders of the Company.

	2014	2013
Notes payable	P 2,308,600,000	P 2,547,700,000
Long-term debt	1,474,786,000	820,409,950
Total debt	3,783,386,000	3,368,109,950
Less: cash	1,100,802,128	825,485,867
Net debt	P 2,682,583,872	P 2,542,624,083
Equity attributable to owners of the parent	P 4,944,498,185	P 4,943,912,095
Debt to equity	77%	68%
Net debt to equity	54%	51%

The Group is not subject to externally imposed capital requirement

20. Related Party Transactions

The Group has transactions within and among the consolidated entities and related parties. A related party is an entity that has the ability to control or exercise significant influence, directly or indirectly, over the other party in making financial and operating decisions. Transactions between members of the Group and the related balances are eliminated at consolidation and are no longer included in the disclosures.

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

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members; and
- Subsidiaries, affiliates and other related parties.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially on same terms with as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The amounts and balances arising from the foregoing significant related party transactions of the Group are as follows:

2014			
Related Party	Nature of Transactions	Amount/ Volume	Terms and Conditions
Parent			
U.S Automotive Co., Inc.	Operating lease	P22.3 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Affiliates <i>(Entities under common control)</i>			
Manila Bulletin Publishing Corp.	Advertising services	10.5 Million	Advertising rates charged are the same as charged to regular customers; Unsecured and will be settled in cash
Manila Hotel	Hotel services	0.3 Million	Hotel charges are the same as charged to other regular customers; Unsecured and will be settled in cash
Philtrust Bank	Savings and current deposits	268.0 Million	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
Other related party			
Philippine Label Park Corp.	Purchases of labels	10.9 Million	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers

Related Party	Nature of Transactions	2013	
		Amount/ Volume	Terms and Conditions
Parent			
U.S Automotive Co., Inc.	Operating lease	P20.65 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Affiliates (Entities under common control)			
Manila Bulletin Publishing Corp.	Advertising services	11.5 Million	Advertising rates charged are the same as charged to regular customers; Unsecured and will be settled in cash
Manila Hotel	Hotel services	0.4 Million	Hotel charges are the same as charged to other regular customers; Unsecured and will be settled in cash
Philtrust Bank	Savings and current deposits	176.4 Million	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
Other related party Philippine Label Park Corp.	Purchases of labels	16.9 Million	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers

Compensation of Key Management Personnel

The Group's executive officers receive a fixed basic salary on a monthly basis. The Group does not enter into an employment/management contract with any of its executive officers. There are no outstanding warrants or options held by directors and officers. The compensation of the Group's key management personnel by benefit type follows:

	2014		2013	
Short-term employee benefits	P 19,412,605	P	18,072,460	
Post-employment benefits	3,022,345		3,918,050	
	P 22,434,950	P	21,990,510	

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

21. Retirement Liability

The Group has an unfunded, non-contributory defined benefit retirement plan which covers substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. Under the Plan, the normal retirement age is 60 or after completion of at least 25 years of continuous service but a participant may opt to retire after completion of ten (10) years of continuous service to the Group. Retirement benefit for both normal and early retirement is equivalent to one month average basic salary for each year of service rendered. The latest actuarial valuation was made on December 31, 2013.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity,

provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense in the consolidated statement of comprehensive income are as follows:

	2014		2013		2012
Current service cost	P 7,433,633	P	7,817,447	P	6,039,526
Net interest cost	4,262,759		4,392,309		4,845,426
	P 11,696,392	P	12,209,756	P	10,884,952

The retirement expense (included in 'salaries and wages') is recognized in the following line items in profit or loss:

	2014		2013		2012
Cost of goods manufactured and sold	P 5,112,564	P	5,336,959	P	4,383,306
Administrative and marketing expense	5,908,532		6,214,211		5,897,066
Distribution expense	675,296		658,586		604,580
	P 11,696,392	P	12,209,756	P	10,884,952

Liability recognized in the consolidated statement of financial position:

	2014		2013
Present value of benefit obligation	P 96,526,196	P	95,344,910
Fair value of plan assets	-		-
Retirement benefit obligation	P 96,526,196	P	95,344,910

The changes in the present value of defined benefit obligation are as follow:

	2014		2013
Balance at beginning of year	P 95,344,910	P	88,048,550
Current service cost	7,433,633		7,817,447
Net interest cost	4,262,759		4,392,309
Benefits paid	(10,515,106)		(5,637,432)
Actuarial loss/(gain) due to:			
Experience adjustments	-		(4,230,721)
Change in demographic assumptions	-		-
Changes in financial assumptions	-		4,954,757
Balance at end of year	P 96,526,196	P	95,344,910

The Group does not maintain a fund for its retirement benefit obligation.

The movement in the net liability recognized in the statement of financial position is as follow:

	2014	2013
Balance at beginning of year	P 95,344,910	P 88,048,550
Total retirement expense	11,696,392	12,209,756
Total amount recognized in OCI	-	724,036
Benefits paid	(10,515,106)	(5,637,432)
Balance at end of year	P 96,526,196	P 95,344,910

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

Plan Year	Benefit payments
Less than 1 year	P 11,303,901
More than 1 year to 5 years	45,215,605
More than 5 years to 10 years	70,970,098
More than 10 year to 15 years	60,591,564
More than 15 year to 20 years	66,290,301
More than 20 years	90,759,792

The assumptions used to determine retirement benefits of the Company are as follows:

	2014	2013
Discount rate	4.49%	4.49%
Salary increase rate	3.00%	3.00%

The assumptions regarding future mortality rates are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2014 and 2013, Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2013, assuming if all other assumptions were held constant:

Description	Increase/decrease in basis points	Increase/decrease Defined Benefit Obligation
Discount rates	+1.00%	P 92,314,464
	-1.00%	(109,105,071)
Salary increase rate	+1.00%	105,061,637
	-1.00%	(94,827,614)
Turnover rate	+1.00%	97,936,831
	-1.00%	(99,843,035)

The average duration of the defined benefit obligation at the end of the reporting period is 13.4 years.

22. Revenues

This account consist of

	2014	2013	2012
Local sales	P 4,007,430,959	P 3,795,594,277	P 3,975,377,068
Export sales			
ASEAN	294,480,412	308,439,929	32,223,803
Other Asian countries	14,631,761	23,417,077	69,693,372
Africa	9,204,797	65,072,576	67,000,719
Others	50,304,844	47,933,908	43,829,067
	368,621,814	444,863,490	212,746,961
Total net sales	4,376,052,773	4,240,457,767	4,188,124,029
Service income	327,529,686	326,430,357	310,838,385
	P 4,703,582,459	P 4,566,888,124	P 4,498,962,414

The amount above is net of sales returns and sales discounts for prompt payments and volume discounts which the Group is extending to customers in its ordinary course of business amounting to P34.3 million, P37.8 million and P32.2 million in 2014, 2013 and 2012, respectively.

23. Cost of Goods Manufactured and Sold

This account consists of:

	2014	2013	2012
Raw materials and supplies	P 1,296,651,989	P 1,330,087,647	P 1,306,353,587
Direct labor	362,544,220	381,625,495	292,254,675
Manufacturing overhead	1,196,082,452	1,213,870,129	1,088,336,084
Cost of goods manufactured	2,855,278,661	2,925,583,271	2,686,944,346
Finished goods			
Beginning of year	1,061,378,730	856,434,335	619,063,506
Purchases	360,741,155	501,162,482	706,812,870
End of year (Note 9)	(981,593,753)	(1,061,378,731)	(856,434,335)
	P 3,295,804,793	P 3,221,801,357	P 3,156,386,387

The details of raw materials and supplies used at December 31 are as follow:

	2014	2013	2012
Beginning of year	P 443,876,828	P 283,244,788	P 302,032,980
Purchases	1,232,864,736	1,490,719,687	1,287,565,395
Raw materials and supplies available for use	1,676,741,564	1,773,964,475	1,589,598,375
End of year (Note 9)	(380,089,575)	(443,876,828)	(283,244,788)
	P 1,296,651,989	P 1,330,087,647	P 1,306,353,587

24. Administrative and Selling Expenses

This account consists of:

	2014	2013	2012
Salaries and commissions	P 178,296,005	P 193,653,013	P 200,877,005
Marketing and development expense	150,215,679	150,273,218	156,601,912
Transportation and travelling	55,905,699	62,306,867	61,114,916
Depreciation and amortization (Note 11)	45,317,603	25,974,920	16,589,312
Senior citizen and disability discount	40,119,706	42,676,752	33,925,124
Taxes and licenses	37,677,003	29,833,701	26,649,854
Rentals (Note 30)	29,318,115	30,947,129	28,275,254
Professional fees	21,884,637	24,279,158	22,460,096
Representation and entertainment	19,402,114	17,533,030	20,616,601
Light and water	13,412,814	10,982,749	15,493,008
Office supplies	10,725,968	10,842,906	5,031,600
Service fee	7,415,664	8,263,371	-
Training and seminars	6,034,571	5,596,584	5,303,305
Gas and oil	5,669,035	6,103,819	7,214,021
SSS/Medical/ECC/HDMF	5,515,860	5,438,290	5,513,973
Repairs and maintenance	5,074,545	7,892,459	2,484,822
Postage and telephone	4,794,081	4,955,407	5,702,899
Insurance	3,179,675	3,776,628	3,404,256
Provision for impairment losses (Note 8)	2,553,612	2,652,019	2,407,024
Miscellaneous	26,656,590	32,792,946	29,419,129
	P 669,168,976	P 676,774,966	P 649,084,111

The rental expense represents charges on operating lease agreements, which are renewable annually subject to mutual agreement of both parties.

25. Distribution Expenses

This account consists of:

	2014	2013	2012
Delivery expense	P 183,052,225	P 163,082,990	P 151,226,483
Rentals (Note 30)	37,507,906	28,611,984	23,412,494
Salaries and wages	18,559,099	18,610,585	20,319,122
Taxes and licenses	14,894,592	13,528,050	14,027,198
Depreciation and amortization (Note 11)	4,589,307	4,604,705	4,536,383
Repairs and maintenance	3,994,214	1,950,555	3,506,900
Light and water	3,904,070	3,981,501	3,736,411
Transportation and travelling	1,558,581	1,585,699	1,103,429
Office/warehouse supplies	1,529,270	1,374,863	2,361,929
Insurance	1,371,254	898,903	1,011,041
Postage and telephone	1,366,046	1,568,157	1,394,457
SSS/Medical/ECC/HDMF	1,070,041	997,398	1,094,906
Representation and entertainment	419,180	286,943	170,039
Miscellaneous	4,052,762	4,085,022	3,283,579
	P 277,868,547	P 245,167,355	P 231,184,371

The rental expense represents charges on operating lease agreements, which are renewable annually subject to mutual agreement of both parties.

26. Finance Income

This account consists of:

	2014		2013		2012
Interest income (Note 7)	P 11,516,001	P	9,659,185	P	8,398,116
Dividends	-		-		8,100
	P 11,516,001	P	9,659,185	P	8,406,216

27. Interest Expense

This account consists of interests on loans as follows:

	2014		2013		2012
Short-term loans	P 140,400,802	P	148,316,976	P	137,488,197
Long-term loans	48,555,216		34,095,302		49,518,222
	P 188,956,018	P	182,412,278	P	187,006,419

28. Miscellaneous Income

This account consists of:

	2014		2013		2012
Royalty income	P 2,581,050	P	3,321,663	P	3,598,844
Interest on car/housing loan	1,703,557		1,703,557		3,712,684
Others	7,801,407		8,838,985		223,893
	P 12,086,014	P	13,864,205	P	7,535,421

Others pertain to income from sale of boxes, stability testing, labeling and rebates .

29. Income Taxes

The Group's provision for income tax includes the regular corporate income tax (RCIT), minimum corporate income tax (MCIT) and final tax paid at the rate of 20% for peso deposits and 7.50% for foreign currency deposits which are final withholding tax on gross interest income. These income taxes as well as the deferred tax provisions are presented for income tax in the consolidated statement of comprehensive income. Details follow:

	2014		2013		2012
Corporate income tax	P 88,175,534	P	83,267,049	P	85,403,713
Final tax	4,922,990		3,199,653		2,981,725
Deferred	(274,598)		(2,767,303)		(194,959)
	P 92,823,926	P	83,699,399	P	88,190,479

The corporate income tax is 30% in 2014, 2013 and 2012. In 2014, 2013 and 2012, the Group availed of the itemized deductions method in claiming its deductions.

The components of the Group's deferred income tax assets are as follows:

	2014	2013
Unfunded retirement liability	P 29,966,835	P 28,603,473
Allowance for impairment on receivable	12,599,613	11,833,530
NOLCO	46,002	7,260,521
	P 42,612,450	P 47,697,524

The movements of the deferred income tax assets are as follows:

2014					
	Balance at beginning of year (As restated)		Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P 28,603,473	P	1,363,362		P 29,966,835
Allowance for impairment losses	11,833,530		766,083		12,599,613
NOLCO	7,260,521		(2,404,043)	(4,810,476)	46,002
	P 47,697,524	P	(274,598)	P (4,810,476)	P 42,612,450

2013					
	Balance at beginning of year (As restated)		Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P 23,212,579	P	4,579,307	P 811,587	P 28,603,473
Allowance for impairment losses	11,037,924		795,606	-	11,833,530
NOLCO	7,477,189		(216,668)		7,260,521
	P 41,727,692	P	5,158,245	P 811,587	P 47,697,524

The Group did not recognize deferred tax assets on impairment losses recognized in 2012. Management believes that the temporary differences will not be realized in the future.

Reconciliation of statutory income tax rate to the effective income tax rate follows:

	2014		2013		2012
Statutory income tax	P 90,008,034	P	81,726,179	P	219,708,489
Income subject to lower tax rates	(4,229,116)		(3,894,254)		(1,681,243)
Tax effect of timing difference			410,384		(140,541,643)
Non-deductible expenses	2,396,516		5,024,740		7,918,110
	P 88,175,434	P	83,267,049	P	85,403,713

30. Commitment

Operating Lease Commitments - Group as a lessee

The Group leases a number of branch and warehouses under operating leases. The leases typically run for a period of 1 to 5 years, with the option to renew the lease after that date.

Future minimum rental payables under non-cancellable operating leases are as follows:

	2014	2013
Within one year	P 390,267,998	P 339,363,477
After one year but not more than five years	205,771,860	178,932,052
	P 596,039,858	P 518,295,529

Rental expense is recognized in the following line items in profit or loss:

	2013		2013		2012
Cost of goods sold	P 213,472,277	P	213,556,818	P	198,685,625
Administrative and selling expense (Note 23)	29,318,115		30,947,129		28,275,254
Distribution expense (Note 24)	37,507,906		28,611,984		23,412,494
	P 280,298,298	P	273,115,931	P	250,373,373

Unused Letters of Credit

The Company's unused letters of credit amounted to approximately P242.2 million in 2014 and P226.1 million in 2013.

31. Contingencies

As at December 31, 2014, the Parent Company had a total of forty-five (45) pending cases, forty-one (41) of which were filed by the Parent Company in various dates and courts in the Philippines against its customers for the collection of various amounts and/or bouncing checks and a case filed by a former employee in the Labor Relation Commission. The aggregate amount claimed for these forty-two (42) collection cases and labor is approximately P11.8 million which is less than one percent (1%) of the Parent Company's current assets. The remaining other cases are insolvency cases by clients where the Parent Company has pending accountabilities.

32. Earnings Per Share (EPS)

Computation of basic and diluted EPS is shown below:

	2014		2013		2012
Net income attributable to ordinary equity holders of the parent for basic earnings	P 207,189,826	P	188,721,199	P	661,620,085
Divided by the weighted average number of shares	4,112,140,540		4,112,140,540		4,112,140,540
	P 0.05	P	0.05	P	0.16

The Group does not have diluted potential common shares as at December 31, 2013 and 2012.

33. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise of cash and cash equivalents, notes payable, acceptances payable, and amounts owed to affiliates. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency market risk, liquidity risk, interest rate risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below, together with the related risk management structure.

The Group's overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

Credit Risk

To manage credit risk, the Group trades only with recognized and credit-worthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification process with emphasis on their capacity, character and willingness to pay. Each customer, whether corporate or otherwise, has an approved maximum credit limit. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

With respect to credit risk arising from other financial assets of the Group, which consist of cash with banks and refundable deposits, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments before taking into account any collateral and other credit enhancements.

The maximum credit risk exposure of the Group's financial assets, which is equal to the carrying amounts in the consolidated statement of financial position, is shown below:

	2014	2013
Cash in banks	P 1,055,957,449	P 784,551,486
Trade and other receivables	2,419,064,342	1,640,118,459
Other current assets		
Advances to suppliers and contractors	70,370,519	74,320,244
Advances to officers and employees	81,020,538	60,820,065
Bidders and performance bonds	46,086,800	42,441,392
Other noncurrent assets		
Receivable from SMDC	-	625,000,000
Rental and security deposits	52,218,810	98,368,003
Available for sale financial assets	200,000	344,000
	P 3,724,918,458	P 3,325,963,649

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

The table below shows the credit quality by class of financial assets as of December 31, 2013 and 2012, *gross of allowance for credit and impairment losses*.

	2014				Past Due But Not Impaired	Total
	High Grade	Standard Grade	Neither Past Due Nor Impaired Substandard Grade			
Loans and Receivable						
Cash in banks	P 1,055,957,449	P -	P -	P -	P -	P 1,055,957,449
Trade and other receivables	1,838,980,179	-	-	-	580,084,163	2,419,064,342
Other current assets						
Advances to suppliers and contractors	70,370,519	-	-	-	-	70,370,519
Advances to officers and employees	81,020,538	-	-	-	-	81,020,538
Bidders and performance bond	46,086,800	-	-	-	-	46,086,800
Other noncurrent assets						
Receivable from SMDC	-	-	-	-	-	-
Rental and security deposits	52,218,810	-	-	-	-	52,218,810
Available for sale financial assets	200,000	-	-	-	-	200,000
	P 3,144,834,295	P -	P -	P -	P 580,084,163	P 3,724,918,458

	2013					Total
	Neither Past Due Nor Impaired			Past Due But Not Impaired		
	High Grade	Standard Grade	Substandard Grade			
Loans and Receivable						
Cash in banks	P 784,551,486	P -	P -	P -	P -	P 784,551,486
Trade and other receivables	1,099,402,712	-	-	540,715,747	-	1,640,118,459
Other current assets						
Advances to suppliers and contractors	74,320,244	-	-	-	-	74,320,244
Advances to officers and employees	60,820,065	-	-	-	-	60,820,065
Bidders and performance bond	42,441,392	-	-	-	-	42,441,392
Other noncurrent assets						
Receivable from SMDC	625,000,000	-	-	-	-	625,000,000
Rental and security deposits	98,368,003	-	-	-	-	98,368,003
Available for sale financial assets	344,000	-	-	-	-	344,000
	P 2,785,247,902	P -	P -	P 540,715,747	P -	P 3,325,963,649

The Group's bases in grading its receivables are as follows:

High grade – These are receivables which have high probability of collections.

Standard – These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a long period of time.

Substandard – These are receivables where the counterparty may not be capable of honoring its financial obligation.

As at December 31, 2014 and 2013, the aging analysis per class of financial assets is as follows:

	2014					
	Total	Neither past due nor impaired	Past due but not impaired		Past due or individually impaired	Past due but not impaired
			0-60 days	over 60 days		
Loans and Receivables						
Cash in banks	P 1,055,957,449	P 1,055,957,449	P -	P -	P -	P -
Trade and other receivables	P 2,419,064,342	1,838,980,179	203,029,457	377,054,706	-	-
Other current assets						
Advances to:						
Suppliers and contractors	70,370,519	70,370,519	-	-	-	-
Officers and employees	81,020,538	81,020,538	-	-	-	-
Bidders and performance bonds	46,086,800	46,086,800	-	-	-	-
Other noncurrent assets						
Receivable from SMDC	-	-	-	-	-	-
Rental and security deposits	52,218,810	52,218,810	-	-	-	-
Available for sale financial assets	200,000	200,000	-	-	-	-
	P 3,724,918,458	P 3,144,834,295	P 203,029,457	P 377,054,706	P -	P -

	2013					
	Total	Neither past due nor impaired	Past due but not impaired		Past due or individually impaired	Past due but not impaired
			0-60 days	over 60 days		
Loans and Receivables						
Cash in banks	P 784,551,486	P 784,551,486	P -	P -	P -	P -
Trade and other receivables	1,640,118,459	1,099,402,712	162,214,724	378,501,023	-	-
Other current assets						
Advances to:						
Suppliers and contractors	74,320,244	74,320,244	-	-	-	-
Officers and employees	60,820,065	60,820,065	-	-	-	-
Bidders and performance bonds	42,441,392	42,441,392	-	-	-	-
Other noncurrent assets						
Receivable from SMDC	625,000,000	625,000,000	-	-	-	-
Rental and security deposits	98,386,003	98,386,003	-	-	-	-
Available for sale financial assets	344,000	344,000	-	-	-	-
	P 3,185,154,254	P 2,785,265,902	P 162,214,724	P 378,501,023	P -	P -

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities as well as securing credit lines from other banks. Liquidity requirements and positions are monitored daily and monthly reports are reviewed by the management. Sufficient credit lines with various local banks are obtained and regularly renewed.

The table below summarizes the maturity profile of the Company's financial liabilities as of December 31, 2013 and 2012 based on contractual undiscounted payments (principal and interest)

		Total Carrying Value		2014						
				Contractual undiscounted payments						
				On demand	Less than 1 year		1 to 5 years	> 5 years		
Trade payables	P	530,063,659	P	-	P	530,063,659	P	-	P	-
Trust receipts payable		125,856,665		-		125,856,665		-		-
Notes payable and long-term (including current portion)		3,783,386,000		-		2,698,025,332		879,786,668		205,574,000
	P	4,439,306,324	P	-	P	3,353,945,656	P	879,786,668	P	205,574,000

		Total Carrying Value		2013						
				Contractual undiscounted payments						
				On demand	Less than 1 year		1 to 5 years	> 5 years		
Trade payables	P	505,059,285	P	-	P	505,059,285	P	-	P	-
Trust receipts payable		307,848,276		-		307,848,276		-		-
Notes payable and long-term (including current portion)		3,368,109,950		-		2,710,700,000		453,409,950		204,000,000
	P	4,181,017,511	P	-	P	3,523,607,561	P	453,409,950	P	204,000,000

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments recognized in the statement of financial position and on some financial instruments not recognized in the financial position (i.e. certain loan commitments, if any)

As at December 31, 2014 and 2013, the Company's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Company manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

The following tables show comparative information about the Company's financial instruments as at December 31 that are exposed to interest rate risk and presented by maturity profile for the next five years from December 31 figures (in thousands):

2014								
Description	Interest rates		Within 1 year	More than 1 year but less than 3 years		More than 3 years		Total
Trust receipts payable	3.5%-6.0%	P	530,064	P	-	P	-	P 530,064
Notes payable	4.0%-6.0%		2,308,600		-		-	2,308,600
Long-term loans	3.3%-8.5%		389,425		929,785		155,576	1,474,786
		P	3,228,089	P	929,785	P	155,576	P 4,313,450

2013								
Description	Interest rates		Within 1 year	More than 1 year but less than 3 years		More than 3 years		Total
Trust receipts payable	4.5%-6.0%	P	307,848	P	-	P	-	P 307,848
Notes payable	4.0%-6.0%		2,547,700		-		-	2,547,700
Long-term loans	2.7%-8.5%		163,000		359,243		298,167	820,410
		P	3,018,548	P	359,243	P	298,167	P 3,675,958

The following tables demonstrate the sensitivity of income before tax to a reasonably possible change in interest rates, with all other variables held constant.

2014			
Description	Increase/decrease in basis points	Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)
Long term loans	+100bps	(P50,163)	(P35,114)
	-100bps	50,163	35,114

2013			
Description	Increase/decrease in basis points	Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)
Long term loans	+100bps	(P45,603)	(P31,922)
	-100bps	45,603	31,922

Price Risk

The Group is exposed to price risk because of the nature of its business. This is managed by maintaining good business relations with customers, producing a wide-range of products and providing prompt, courteous and efficient marketing and delivery service. Likewise, for valued customers, prices are contracted for a long-term period.

The Group does not anticipate that its high quality intravenous fluids products will decline significantly in the foreseeable future and therefore, has not entered into derivative or other contracts to manage the risk of a decline in market prices. The Group reviews its outlook for market prices regularly in considering the need for active financial risk management.

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risks arise from future commercial transactions, recognized assets and liabilities, importations and export sales.

The Group holds foreign currency-denominated deposits amounting to P441,277,192 or \$9,883,028 as at December 31, 2014 and P388,204,895 or \$8,741,385 as of December 31, 2013, which can be affected by fluctuations of foreign currency exchange.

Information on the Group's foreign currency-denominated deposits and their Philippine Peso equivalents follows:

	2014		2013	
	Foreign currency	Peso Conversion	Foreign currency	Peso Conversion
US Dollar	5,633,023	P 251,514,468	4,366,858	P 193,932,148
Euro	105,978	5,785,336	71,526	4,349,472
Singapore Dollar	16,591	561,934	17,321	606,059
ZAR	41,533,856	160,320,686	38,763,951	167,460,268
RUB	17,629,594	23,094,768	16,684,694	21,856,950
	64,919,042	P 441,277,192	59,904,350	P 388,204,897

The Group also has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Group's functional currency. For years 2014 and 2013, approximately 12% and 15%, respectively of the Group's total sales are denominated in currencies other than the functional currency.

The table below summarizes the Group's exposure to foreign exchange risk as of December 31:

	2014		2013	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash in banks	\$9,833,028	P 441,277,192	\$8,741,385	P 388,204,895
Exchange rate		44.88		44.41

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variables held constant, of the Group's profit before tax:

Description	Increase/decrease in basis points	Effect on income	Effect on equity
		before income tax Increase (decrease)	Increase (decrease)
2014	+10%	P59,212	P41,448
	-10%	(59,212)	(41,448)
2013	+10%	P53,829	P37,680
	-10%	(53,829)	(37,680)

34. Financial Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(Amounts in Thousands)</i>				
Financial Assets:				
<i>Loans and receivables</i>				
Cash in banks	P 1,055,957	P 1,055,957	P 784,551	P 784,551
Receivables	2,377,066	2,377,066	1,640,118	1,640,118
Other current assets				
Advances to -				
Suppliers and contractors	70,371	70,371	74,320	74,320
Officers and employees	81,021	81,021	60,820	60,820
Bidders an performance bond	46,087	46,087	42,441	42,441
Other noncurrent assets				
Receivable from SMDC	-	-	625,000	625,000
Rental and security deposits	52,219	52,219	96,368	96,368
deposits				
Available-for-sale financial assets	200	200	344	344
	P 3,682,921	P 3,682,921	P 3,323,962	P 3,323,962
Financial Liabilities:				
<i>Other financial liabilities</i>				
Trade payables	P 530,064	P 530,064	P 505,259	P 505,259
Trust receipts payable	125,857	125,857	307,848	307,848
Notes payable	2,308,600	2,308,600	2,547,700	2,547,700
Long-term loans	1,474,786	1,474,786	820,410	820,410
	P 4,439,307	P 4,439,307	P 4,181,217	P 4,181,217

The following discussions are methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

The fair values of cash in banks, AFS financial assets, trade and other receivables advances to suppliers and contractors, advances to officers and employees, trade payable and trust receipts payables are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

Unquoted AFS equity securities are carried at cost, subject to impairment, if any.

For noncurrent portion of advances and other noncurrent assets, the fair value is based on the discounted values of future cash flows using the applicable zero coupon rates.

For variable rate financial instruments that reprice every three months (i.e. notes payable), the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

For fixed rates obligations, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for similar instruments.

Fair Value Measurement Hierarchy

The following table provide the fair value measurement hierarchy of the Group's assets and liabilities:

	December 31, 2014							
	Fair value measurement using							
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total				
Liabilities for which fair values are disclosed:								
Long-term loans	P	-	P	1,474,786	P	-	P	1,474,786

	December 31, 2013							
	Fair value measurement using							
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total				
Liabilities for which fair values are disclosed:								
Long-term loans	P	-	P	820,410	P	-	P	820,410

As at December 31, 2014 and 2013, the Group has no financial instruments measured under Level 1 and Level 3.

35. Other Matters

Disclosure Requirements by SRC Rule 68

Under the following disclosure requirements by Securities Regulation Code (SRC) Rule 68, the Group has neither an existing plan nor a transaction involving the following:

- a) Preferred shares.
- b) Profit sharing and other similar plans.
- c) Capital stock optioned, sold or offered for sale to directors, officers and key employees.
- d) Warrants or rights outstanding.
- e) Defaults



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards of Auditing, the consolidated financial statements of **Euro-Med Laboratories Phil., Inc.** and Subsidiaries (the "Group") as at December 31, 2014 and for the year then ended, included in this Form 17-A, and have issued our report thereon dated April 14, 2015. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

MANGAY-AYAM, LIM & CO., CPAs

BOA Registration No. 0672, valid until December 31, 2015
SEC Accreditation No. 0302-F, effective until December 03, 2017, Group A
BIR A.N. 08-001698-0-2015, valid until February 18, 2018
TIN 228-756-505

By:

RODRIGO M. MANGAY-AYAM

Partner
CPA License No. 21565
SEC Accreditation No. 1454-A, effective until December 03, 2017, Group A
BIR A.N. 08-001698-2-2014, valid until January 05, 2018
TIN 123-447-203
P.T.R. No. 4782039MD, issued on January 31, 2015, Makati City

Makati City, Philippines
April 14, 2015



**SUPPLEMENTAL STATEMENT OF
INDEPENDENT AUDITORS' REPORT**

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

We have audited the consolidated financial statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as at and for the year ended December 31, 2014, on which we have rendered the attached report dated April 14, 2015.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has five hundred thirty eight (538) stockholders owning one hundred (100) or more shares each.

MANGAY-AYAM, LIM & CO., CPAs

BOA Registration No. 0672, valid until December 31, 2015
SEC Accreditation No. 0302-F, effective until December 03, 2017, Group A
BIR A.N. 08-001698-0-2015, valid until February 18, 2018
TIN 228-756-505

By:

RODRIGO M. MANGAY-AYAM

Partner
CPA License No. 21565
SEC Accreditation No. 1454-A, effective until December 03, 2017, Group A
BIR A.N. 08-001698-2-2014, valid until January 05, 2018
TIN 123-447-203
P.T.R. No. 4782039MD, issued on January 31, 2015, Makati City

Makati City, Philippines
April 14, 2015

EURO-MED LABORATORIES PHIL, INC.

**Index to the Consolidated Financial Statements
and Supplementary Schedules**

- Schedule 1 - Schedule of all the effective standards and interpretation
as at December 31, 2014
- Schedule 2 - Reconciliation of retained earnings available for dividend declaration
- Schedule 3 - Map of the relationships of the Companies within the Group
- Schedule 4 - Financial soundness indicators

Schedule 1

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATION UNDER THE PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AT DECEMBER 31, 2014

PFRSs AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
	Conceptual Framework Phase A: Objectives and quantitative characteristics	✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparatives PFRS 7 Disclosures for First Time Adopter			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRS'	Not early adopted		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of vesting Condition	Not early adopted		
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in method of disposals	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets: Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Offsetting Financial Assets and Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosure	Not early adopted		
	Amendments to PFRS 7: Disclosures - Servicing Contracts	Not early adopted		
Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Not early adopted			

PFRSs AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*			Not early adopted
PFRS 9	Financial Instruments: Classification and Movement (2010 version)			Not early adopted
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*			Not early adopted
	Financial Instruments (2014 of final version)*			Not early adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			Not early adopted
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or contribution of Assets between an Investor and its Associate or Joint Venture*			Not early adopted
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			Not early adopted
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivables and payables	✓		
	Amendments to PFRS 13: Portfolio Exception*			Not early adopted
PFRS 14	Regulatory Deferral Accounts*			Not early adopted
IFRS 15	Revenue from Contracts with Customers**			Not early adopted
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
PAS 2	Inventories	✓		
Pas 7	Statements of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*			Not early adopted

PFRSs AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
	Amendments of PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	✓		
	Amendments to PAS 16: Bearer Plants*			✓
PAS 17	Leases			
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions*		Not early adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Operation	✓		
	Amendment: Net Investment in Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel*		Not early adopted	
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*		Not early adopted	
Pas 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*		Not early adopted	
PAS 29	Financial Reporting under Hyperinflationary Economies			✓
PAS 31	Interest in Joint ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to Pas 32: Classification of Rights Issues	✓		
	Amendments to Pas 32: Tax effect of distribution to holders of equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities		Not early adopted	
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization*		Not early adopted	
	Amendments to Pas 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*		Not early adopted	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting Forecast Intragroup Transactions	✓		

PFRSs AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to Pas 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40		Not early adopted	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants*		Not early adopted	
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Arrangements for the Construction of Real Estate***			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendments to SIC - 12: Scope of SIC 12			
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓

PFRSs AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
Philippine Interpretations				
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions involving the Legal form of a Lease	✓		
SIC-29	Service Concession Arrangements	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC 32	Intangible Assets - Website Costs			✓

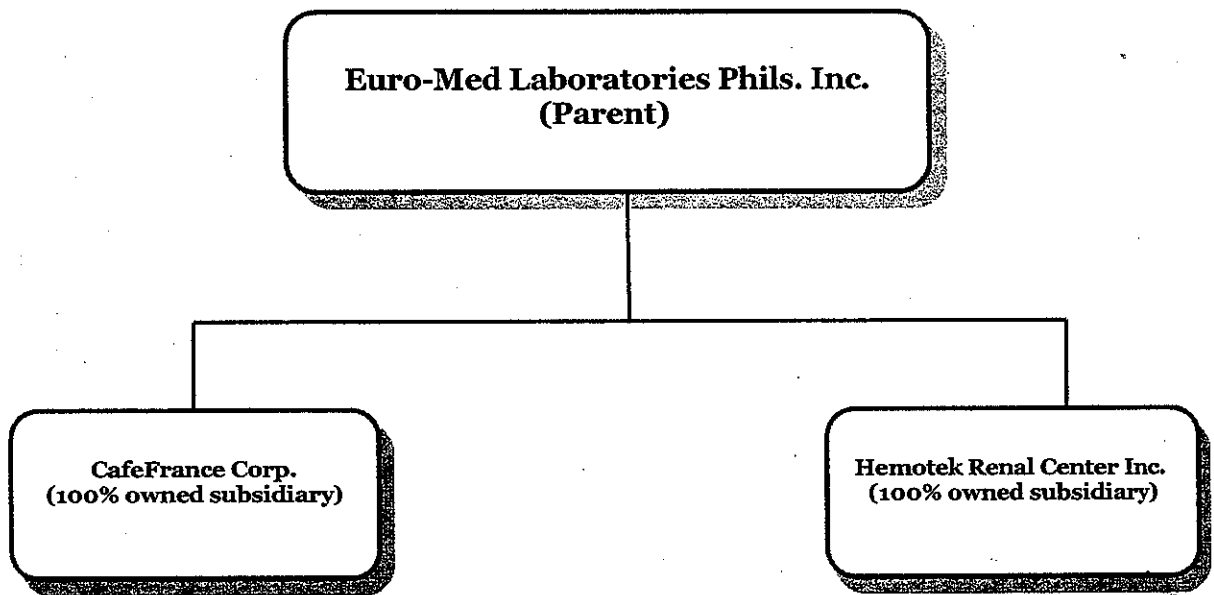
Schedule 2

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
AS AT DECEMBER 31, 2014**

Unappropriated Retained Earnings, beginning	P 808,244,141
Adjustment	
Adjustments in prior years	-
Unappropriated Retained Earnings, as adjusted, beginning	772,880,348
Net income based on the face of AFS	195,480,011
Less: Non-actual/unrealized income net of tax	
Recognized deferred income tax assets	(40,613,433)
Unrealized foreign exchange gain	-
Fair value adjustment	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Fair value adjustment of investment property resulting to loss	-
Net Income Actual/Realized	927,746,926
Less: Non-actual/unrealized income net of tax	
Dividends declared	(205,607,027)
Effects of prior period adjustments	-
Appropriation during the year	-
Unappropriated Retained Earnings, as adjusted, ending	P 722,139,899

Schedule 3

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT DECEMBER 31, 2013**



Schedule 4

**FINANCIAL SOUNDNES INDICATORS
AS AT DECEMBER 31, 2014 AND 2013**

	2014	2013
CURRENT RATIO	1.49	1.17
DEBT-TO-EQUITY RATIO	0.94	0.89
ASSET TO EQUITY RATIO	1.94	1.89
INTEREST RATE COVERAGE RATIO	2.49	2.49
RETURN ON ASSETS	0.02	0.02
RETURN ON EQUITY	0.04	0.04

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule B Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
 (Other than Related Parties)
 As of December 31, 2014

DEDUCTIONS

<i>Name and Designation of debtor (1)</i>	<i>Balance at beginning of period Jan. 01, 2014</i>	<i>Additions</i>	<i>Amount collected (2)</i>	<i>Amount written off (3)</i>	<i>Current</i>	<i>Not Current</i>	<i>Balance at end of period Dec. 31, 2014</i>
Advances to Officers/Employees							
Salary loan	3,803,532	3,650,133	3,907,336		3,546,329	-	3,546,329
Cash advance (for liquidation)	23,530,955	3,092,998	8,092,948		18,531,005	-	18,531,005
Car/Housing	23,718,851	1,341,855	1,595,711		23,464,994		23,464,994
TOTAL =====>>>>	51,053,338	8,084,986	13,595,995	-	45,542,328	-	45,542,328

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule A FINANCIAL ASSETS
As of December 31, 2014

<i>Name of issuing entity and association of each issue (1)</i>	<i>Number of shares or principal amount of bonds and notes</i>	<i>Amount shown in the balance sheet*(2)</i>	<i>Value based on market quotation at balance sheet date (3)</i>	<i>Income received and accrued</i>
1) Accounts Receivable-trade (various) - non trade (various)				
2) Available for Sale (AFS)		0		
2.1) Philippine Long Distance Telephone Company		200,000		
2.2) Casino Espanol		200,000		
Total AFS				

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule C Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As of December 31, 2014

Name of and Designation of debtor	Balance of Beginning of period Jan. 01, 2014	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance at end of period Dec. 31, 2014
1.) 102 E. Delos Santos Realty Co., Inc.	0				0		P-
2.) Hemotek Renal Center, Inc.	36,653,824	0	0		36,653,824		36,653,824
3.) CafeFrance Corp.	312,074,949	137,500,000			449,574,949		449,574,949
Total	0	P137,500,000	-			0	P486,228,773

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule D INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2014

<i>Description (1)</i>	<i>Beginning balance Jan. 1, 2014</i>	<i>Additions at cost (2)</i>	<i>Charged to cost & exp. (3)</i>	<i>Charged to other accounts</i>	<i>Other charges- additions/(deductions)</i>	<i>Ending balance Dec. 31, 2014</i>
1.) Trademarks and Licenses	223,399,836					223,399,836
2.) Patents/Rights	1,505,966		180,254			1,325,712
TOTAL	224,905,802	0	180,254	P-	P-	224,725,548

(2) The addition is stated at cost

(3) Deduction represents amount charged to operations.

Amortization is credited directly to patents/rights account.

Amortization is over a period of 20 years using straight line method.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule E LONG TERM DEBT
As of December 31, 2014

<i>Title of issue and type of obligation (1)</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term" in related balance sheet</i>	<i>Amount shown under caption "Long-term Debt" in related balance sheet (3)</i>
Promissory Note			<p>* P952,024,667</p> <p>* Interest rates are based on T-bills plus spread. * Payable quarterly in Three(3) to seven (5) years.</p>

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule F Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies) As of December 31, 2014

<i>Name of Related Party (1)</i>	<i>Balance at beginning of period</i>	<i>Balance at the end of the period (2)</i>
NONE	NONE	NONE

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule G GUARANTEES OF SECURITIES OF OTHER ISSUERS (1) As of December 31, 2014

<i>Name of Issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding (2)</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee(3)</i>
NONE	NONE	NONE	NONE	NONE

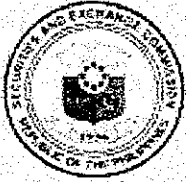
EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule H CAPITAL STOCK
As of December 31, 2014

<i>Title of issue (2)</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding shown under related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion & other rights</i>	<i>Number of shares held by related parties</i>	<i>Directors, Officers and Employees'</i>	<i>Others</i>
Common	5,000,000,000	Issued <u>4,112,140,540</u>	NONE	3,683,059,218	108,225,835	320,855,487



101082015000843



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Industry Classification
Company Type Stock Corporation

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Department CED/CFD/CRMD/MRD/NTD
Remarks CONSOLIDATED CHANGES

COVER SHEET

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S.E.C. Registration
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(Company's Full Name)

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

Janice R. Ong
 Contact Person

524-0091
 Company Telephone Number

**CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE SCORECARD FOR YEAR 2014
PER SEC MEMORANDUM CIRCULAR NO. 2, SERIES OF 2014**

1	2
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 Month
 Fiscal Year

3	1
---	---

 Day

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 Form Type

Third Wednesday of June

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 Month Day
 Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
----------	---------

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

08 January 2015

DIRECTOR JUSTINA F. CALLANGAN
Director
Corporate Governance & Finance Department
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

RE : CONSOLIDATED CHANGES IN THE ACGR FOR YEAR 2014

Dear Dir. Callangan,

In compliance with SEC Memorandum Circular No. 12 dated 26 May 2014, we hereby advise you Consolidated Changes in the Annual Corporate Governance Scorecard for year 2014, to wit :

CHANGE OF PRINCIPAL ADDRESS AND AMENDMENT OF ARTICLE 3, ARTICLE OF INCORPORATION

- 1) The exact and specific address of the principal office of the Corporation in order to comply with the requirements of the Securities and Exchange Commission; and
- 2) Article 3, the place where the principal office of the Corporation is to be established or located, from Metro Manila, Philippines to PPL Building, 1000-1046 United Nations Avenue corner San Marcelino St., Manila, Philippines; and

INCREASE IN NUMBER OF DIRECTORS FROM SEVEN (7) TO TEN (10) AND AMENDMENT OF ARTICLE 6, ARTICLE OF INCORPORATION

- 1) Article 6, the number of directors of the Corporation from seven (7) to ten (10) directors inclusive of two (2) independent directors.

AMENDMENT OF SECTION 2 ARTICLE IV, BY-LAWS

- 1) The amended provision of the By-laws of the Corporation refer to Section 2, Article IV of the By-laws to reflect the change in the number of directors of the Corporation from seven (7) to ten (10) directors inclusive of two (2) independent directors.

NOMINEES FOR ELECTION AS MEMBERS OF THE BOARD OF DIRECTORS 2014-2015

- 1) Nominated to fill the new positions created by the increase were Mr. Basilio C. Yap, Dr. Emilio C. Yap III and Atty. Francis Y. Gaw, as approved by the Nominations Committee of the Corporation last 10 April 2014.
- 2) The Board of Directors unanimously approved the following nominees for election as members of the Board of Directors for 2014-2015, to wit :

Dr. William G. Padolina (Independent Director)
Mr. Edwin D. Feist (Independent Director)
Mrs. Georgiana S. Evidente
Dr. Evangeline V. Baviera
Dr. Johnny C. Yap
Dr. Teodora D. Tan
Mr. Basilio C. Yap
Dr. Emilio C. Yap III
Mr. Michael Vincent Y. Yap
Atty. Francis Y. Gaw

DIRECTORSHIP IN OTHER COMPANIES

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Dr. Johnny C. Yap	Hemotek Renal Center, Inc.	Executive
	CafeFrance Corp.	Executive
	Philtrust Bank	Non-Executive
Mr. Michael Vincent Y. Yap	Hemotek Renal Center, Inc.	Non-Executive
	CafeFrance Corp.	Non-Executive
	Manila Bulletin Publishing Corp.	Executive
Dr. Emilio C. Yap III	Manila Hotel	Non-Executive
	Centro Escolar University	Non-Executive
	U.S. Automotive Co., Inc.	Executive
	USAUTOCO Inc.	Executive
	Philtrust Bank	Non-Executive
Mr. Basilio C. Yap	Manila Hotel	Non-Executive
	U.S. Automotive Co., Inc.	Executive
	USAUTOCO Inc.	Executive
	Philtrust Bank	Executive
Atty. Francis Y. Gaw	Manila Hotel	Non-Executive

RELATIONSHIP WITHIN THE COMPANY AND ITS GROUP

Director's Name	Name of the Significant Shareholder	Description of the relationship
Dr. Johnny C. Yap	U.S. Automotive Co., Inc. USAUTOCO Inc. Philtrust Realty	Yap Family
Mr. Michael Vincent Y. Yap	U.S. Automotive Co., Inc. USAUTOCO Inc. Philtrust Realty	Yap Family
Dr. Emilio C. Yap III	U.S. Automotive Co., Inc. USAUTOCO Inc. Philtrust Realty	Yap Family
Mr. Basilio C. Yap	U.S. Automotive Co., Inc. USAUTOCO Inc. Philtrust Realty	Yap Family
Atty. Francis Y. Gaw	U.S. Automotive Co., Inc. USAUTOCO Inc. Philtrust Realty	Related by consanguinity

SHAREHOLDING IN THE COMPANY

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Dr. William G. Padolina	20,561	N.A	.0005
Mr. Edwin D. Feist	11,607	N.A	.0005
Mrs. Georgiana S. Evidente	1,285,052	N.A	.0513
Dr. Johnny C. Yap	36,980,720	N.A	.8493
Dr. Evangeline V. Baviera	41,645	N.A	.0010
Dr. Teodora D. Tan	11,607	N.A	.0005
Mr. Michael Vincent Y. Yap	15,257,017	N.A	.3710
Dr. Emilio C. Yap III	35,695,668	20,160,030	.8651
Mr. Basilio C. Yap	20,564	20,160,030	.0005
Atty. Francis Y. Gaw	82,249	N.A	.0020

VOTING RESULT OF THE LAST ANNUAL GENERAL MEETING

Name of Director	Votes Received
Dr. William G. Padolina	3,765,108,774
Mr. Edwin D. Feist	3,765,108,774
Mrs. Georgiana S. Evidente	3,765,108,774
Dr. Johnny C. Yap	3,765,108,774
Dr. Evangeline V. Baviera	3,765,108,774
Dr. Teodora D. Tan	3,765,108,774

Mr. Michael Vincent Y. Yap	3,765,108,774
Dr. Emilio C. Yap III	3,765,108,774
Mr. Basilio C. Yap	3,765,108,774
Atty. Francis Y. Gaw	3,765,108,774

DATE OF RELEASE OF AUDITED FINANCIAL REPORT : 10 APRIL 2014

DIVIDENDS

Declaration Date	Record Date	Payment Date
May 20, 2014 (cash dividend declaration)	June 19, 2014	July 11, 2014

STOCKHOLDERS' PARTICIPATION

- 1) Date of the Annual/Special Stockholders' Meeting: 18 June 2014
- 2) Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of Previous Meeting of Shareholders	3,765,108,774		
Ratification of All Acts, Proceedings, Transactions and Resolutions of BODs and Officer of the Corporation from the last Annual Shareholders Meeting	3,765,108,774		
Amendment of Articles of Incorporation to reflect change of principal address and increase in number of directors and By-Laws to reflect increase in number of directors	3,765,108,774		
Election of Board of Directors for year 2014-2015	3,765,108,774		
Appointment of External Auditor for year 2014-2015	3,765,108,774		

Thank you.

EURO-MED LABORATORIES PHIL., INC.

By :

JANICE R. ONG
Corporate Secretary

SECRETARY'S CERTIFICATE

The undersigned Corporate Secretary of **EURO-MED LABORATORIES PHIL., INC.**, a corporation duly organized and existing under and by virtue of Philippine laws, with principal office at PPL Bldg., 1000 United Nations Avenue, Manila, after having been duly sworn in accordance with law, and in compliance with SEC Memorandum Circular No. 12, series of 2014, does hereby certify that the following Board Resolutions and/or Minutes of the Corporation were unanimously adopted (with excerpts thereof cited), with regards to Consolidated Changes in the Annual Corporate Governance Scorecard (ACGR), of the corporation for the year 2014:

- 1) **Change of Principal Address And Amendment of Article 3, Article of Incorporation, on Increase in Number of Directors from Seven (7) to Ten (10) And Amendment of Article 6, Article of Incorporation, and Amendment of Section 2 Article IV, By-Laws, with the following excerpts thereof:**

Board Resolution No. 14-04-001

"RESOLVED, to amend Article 3 of the Articles of Incorporation to reflect the change in the principal office of the Corporation from Metro Manila, Philippines to PPL Building, 1000-1046 United Nations Avenue, Manila, Philippines."

Board Resolution No. 14-S04-001

"RESOLVED, to further amend Article 6 of the Articles of Incorporation and Article IV, Section 2 of the By-Laws of the Corporation to reflect the change in the increase in the number of directors from seven (7) to ten (10) directors inclusive of two (2) independent directors."

- 2) **Nominees for Election as Members of the Board of Directors 2014-2015, with the following excerpts thereof:**

Board Resolution No. 14-S04-002

"RESOLVED, to approve the Nomination Committee's selection of nominees of directors for the year 2014-2015 as follows."

Dr. William G. Padolina (Independent Director)
Mr. Edwin D. Feist (Independent Director)
Mrs. Georgiana S. Evidente
Dr. Evangeline V. Baviera
Dr. Johnny C. Yap
Dr. Teodora D. Tan
Mr. Basilio C. Yap
Dr. Emilio C. Yap III
Mr. Michael Vincent Y. Yap
Atty. Francis Y. Gaw

- 3) **Date of release of audited financial report, with the following excerpts thereof:**

Board Resolution No. 14-04-004

"RESOLVED, to approve and authorize the issuance of the Corporation's Audited Financial Statements as of and for the year ended 31 December 2013."

4) Dividend Declaration, with the following excerpts thereof:

Board Resolution No. 14-05-001

"RESOLVED, That the Corporation be authorized to declare cash dividends of **₱0.05** per share to all shareholders of record as of 19 June 2014 to be taken from the Corporation's unrestricted retained earnings as of 31 December 2013 and payable to all shareholders of record on 11 July 2014."

5) Excerpts on Minutes of the Annual Meeting of Stockholders held on 18 June 2014, on Voting Results of the Last Annual General Meeting and Stockholders' Participation, as quoted below:


"Over 92% of the 4,112,114,540 total outstanding shares were present in person and represented by proxy. Less than 8% of the 4,112,114,540 total outstanding shares.

07 January 2015, Manila, Philippines.


JANICE R. ONG
Corporate Secretary

SUBSCRIBED AND SWORN to before me on this day of 07 January 2015 at Manila, affiant exhibiting to me her Passport No. EB2319859 issued on 03 May 2011 at DFA, Manila.

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Page No. 3 :
Book No. 1 :
Series of 2015.


AGNES B. URBANO
Notary Public
Until December 31, 2015
PTR - 2489818 Manila, 11014; TIN 109-214-340
IBP - 624499; Attorneys Roll - 43309
E.N. Ave. Cor. San Marcelino St., JMA.