

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 . ,
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(Company's Full Name)

1 0 0 0 U N I T E D N A T I O N A V E N U E C O R .
S A N M A R C E L I N O S T . M A N I L A
(Business Address: No. Street City/Town/Province)

S a n d r a P i n e d a
Contact Person

5 2 4 0 0 9 1 - 9 8
Company Telephone Number

0 9 3 0
Month Day

1 7 Q
FORM TYPE

Month Day
Annual Meeting

Fiscal Year
2 0 1 5

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

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Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2015
2. SEC Identification Number 148022 3. BIR Tax Identification No. 000-288-655V
4. Exact name of registrant as specified in its charter EURO-MED LABORATORIES PHIL., INC.
5. Philippines (Province, country or other jurisdiction of incorporation or organization)
6. (SEC Use Only)
Industry Classification Code:
7. 1000 United Nations Avenue cor. San Marcelino St., Manila
Address of principal office 1000
postal code
8. (632) 524-0091 to 98
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

<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

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 there under, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No []

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

Yes [x] No []

EURO-MED LABORATORIES PHIL., INC.
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Part I – Financial Information

Item 1. Financial Statements

See accompanying Interim Financial Statements.

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

- A. In view of the current global financial condition, Euro-Med Laboratories Phil., Inc. (the company) hereby assesses its financial risk exposures on its financial instruments as of date of these financial statements.

The company, being primarily engaged in a manufacturing business, have few financial instruments, such as accounts receivable, accounts payable and notes payable, as distinguished from a financial institution whose assets and liabilities are mostly financial instruments. The company has no complex securities particularly on derivatives.

The financial risk exposures of the company are as follows:

1. Currency or Foreign Exchange risk.

This risk arises on the financial instruments that are denominated in foreign currency other than the functional currency (the Philippine peso) in which they are measured. Such exposure arises from the sales of goods to export markets, importation of raw materials from foreign countries and from differences in exchange rates between assets, liabilities and equities, which are denominated in foreign currencies.

The Peso/Dollar exchange rate depreciated from about ₱ 44.141/US\$ 1 in January 2015 to about ₱ 46.71/ US\$ in September 2015. The company's export sales for the periods ended January to September 2015 and 2014 are 11% and 12% respectively of total sales, which are denominated in foreign currency.

The raw materials being imported are initial inputs for producing parenteral solutions and LDPE bottles. A Peso/Dollar exchange rate depreciation will result in an increase in the company's production cost. The company manages this risk by maintaining 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.

The company's overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance by obtaining loans that are peso denominated only and maintaining US\$ accounts whose export proceeds are maintained from which payments for imports are made.

2. Interest rate risk.

This risk arises on interest-bearing financial instruments recognized in the statement of financial position, such as notes payable and acceptances payable. The company's exposure relates primarily to the company's short-term and long-term debt obligations with banks.

The company's loans as of September 30, 2015 that is exposed to interest rate risks are as follows:

Maturing within one (1) year			
Notes Payable	P	1,870,189,665	
Acceptance Payable		<u>93,612,875</u>	P 1,963,802,540
Maturing over one (1) year			
Notes Payable	P	952,024,667	<u>952,024,667</u>
Total			<u>P 2,915,827,207</u>

The company manages its exposure in interest rate risk by closely monitoring these loans with various banks and maximizing borrowing period based on market volatility of interest rates.

3. Credit risk.

This risk arises when one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The company's exposure to this risk relates to its deposits with banks and trade and non-trade receivables.

The maximum credit exposure of the company as of September 30, 2015 follows :

Cash in bank	P	832,698,826
Accounts Receivable – trade		1,605,918,138
Accounts Receivable – non- trade		<u>6,067,209</u>
Total	P	<u>2,444,684,173</u>

To manage credit risk, the company maintains its bank deposits with reputable banks and trades only with recognized and credit-worthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subjected to credit verification process with emphasis on their capacity, character and willingness to pay. Each customer, whether corporate or otherwise, has an approved credit limit. These limits are reviewed regularly by the Treasury Department, and customer balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. Euro-Med's customers are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts. The company's customer base is composed of more than 8000 institutions nationwide. Hence, the company is not dependent on one or a few major customers and no customer accounts for more than ten percent (10%) of the company's sales and receivables.

4. Market risk.

This risk arises from fluctuations in the market prices of the company's products. The company is exposed to price risk because of the nature of its business. Euro-Med is the leading manufacturer of intravenous fluids in the Philippines and competes with other IVF manufacturers and importers. The risk 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 company does not anticipate that its high quality intravenous fluid 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 Company reviews its outlook for market prices regularly in considering the need for active financial risk management.

5. Liquidity risk.

This risk arises when the company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's exposure relates to the Company's debt obligations to banks, to suppliers of raw materials and services and to government regulating and taxing authorities.

The Company's financial liabilities as of September 30, 2015 that are exposed to liquidity risk are as follows:

Bank loans		
Maturing within one (1) year	P	1,870,189,665
Maturing over one (1) year		952,024,667
	P	<u>2,822,214,332</u>
Trade Accounts payable	P	257,780,650
Acceptances payable		93,612,875
Income tax payable		17,886,030
Other current liabilities		53,669,501
		<u>422,949,056</u>
Grand total	P	<u>3,245,163,388</u>

The company manages this risk (a) by maintaining sufficient cash and cash equivalents with banks to fund the payments of currently maturing liabilities, (b) by securing credit lines from various reputable banks and (c) by maintaining good credit standing with banks and trade suppliers. The Company has Omnibus Credit Lines in the aggregate amount of about P 4.2 Billion on a clean basis from various commercial banks which provided for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). These credit lines are obtained and regularly renewed. Liquidity requirements and positions are monitored daily and monthly reports are reviewed by the management.

B. Euro-Med's financial instrument profile as of September 30, 2015 follows:

B.1) Classification, description and measurements applied for each:

	Classification	Description	Measurement
1.1)	A financial asset or financial liability at fair value through profit or loss (FVPL)	None	Not Applicable
1.2)	Held to maturity Investments (HTM)	None	Not Applicable
1.3)	Loans and Receivables	3.1) Trade and other receivables	a) At initial recognition –measured at fair value
		3.2) Bank loans (Notes payable & Acceptances payable)	b) Subsequent Valuation – at amortized cost, less impairment loss if any.
		3.3) Trade accounts payable	
1.4)	Available-for-sale Financial assets (AFS)	4.2)Proprietary Shares in Casino Español de Manila	b)Subsequent valuation – at cost

The investment in the proprietary shares in Casino Español de Manila is only minimal at ₱ 200,000 and is obtained for entertaining Company Clients in its restaurant.

The Company has no complex securities particularly on derivatives.

B.2) Euro-Med has no investment in foreign securities.

B.3) Euro-Med has no financial instrument in the fair value hierarchy (FVPL financial securities).

B.4) The risks that are incorporated in the valuation of financial assets or liabilities are:

4.1) On Trade receivables –

In subsequent valuation of this account, the credit risk is considered by providing for an estimate of probable losses on doubtful accounts when collection of the full amount is no longer probable. The Company has provided an Allowance for doubtful accounts that reduces the carrying value of this asset.

4.2) Bank loans (Notes payable and Acceptances payable)

Since this liability is recognized initially at an amount equal to the principal payable at maturity and some are short-term, the interest rate risk has no significant effect on the carrying amount of this liability.

4.3 Trade accounts payable

Due to the short-term nature of this liability and is non-interest bearing, the interest rate risk has no effect on its carrying amount.

B.5) Comparison of fair values (in 000)

		As of September 30, 2015		As of December 31, 2014	
		Carrying Value	Fair Value	Carrying Value	Fair Value
A.) Financial Assets					
Cash	P	859,190	859,190 P	842,197	842,197
Trade & other receivable-Net		1,626,985	1,626,985	2,286,451	2,286,451
Available for sale securities					
Quoted		0	0	0	0
Unquoted		200	200	200	200
Total	P	2,486,375	2,486,375 P	3,128,848	3,128,848
B.) Financial Liabilities					
Trade accounts payable		257,781	257,781	340,115	340,115
Notes payable -current		1,870,190	1,870,190	2,331,361	2,331,361
Notes payable – non-current		952,025	952,025	952,025	952,025
Acceptances payable		93,613	93,613	1,255,857	1,255,857
Other current liabilities		53,669	53,669	52,008	52,008
Total	P	3,227,278	3,227,278 P	4,931,366	4,931,366

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

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

1.) The Company's net sales decreased by 6.9 % from P 2,303.2 million for the first three quarters of 2014 to P 2,143.2 million for the first three quarters of 2015. The decrease in sales was attributed to the decrease in local sales which decreased by 6% from P 2,033.9 million in the first three quarters of 2014 to P 1,907.0 million in the first three quarters of 2015. Export sales decreased by 12.3% from P269.3 million for the first three quarters of 2014 to P 236.2 million for the first three quarters of 2015. The increase (decrease) in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the forecast. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) Gross profit from sales increased by 1% from P 775.4 million for the first three quarters of 2014 to P 783.1 million for the first three quarters of 2015. Cost of goods manufactured and sold decreased by 11% from P 1,527.8 million for the first three quarters of 2014 to P 1,360.1 million for the first three quarters of 2015. As a percentage of net sales, cost of goods manufactured and sold decreased from 66.3% for the first three quarters of 2014 to 63.5% for the first three quarters of 2015. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Income from operations (income before finance income/cost and miscellaneous income) decreased by 4% from P245.1 million for the first three quarters of 2014 to P 235.2 million for the first three quarters of 2015. Operating expenses (administration, selling and distribution) increased by 3.3% from P530.2 million for the first three quarters of 2014 to P547.9 million for the first three quarters of 2015. The increase was due to the increase in variable operating expenses of distribution and marketing expenses. As a percentage of the Company's net sales, operating expense ratio increased from 23.0% for the first three quarters of 2014 to 25.6% for the first three quarters of 2015. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on selling, distribution and administrative expenses. The percentage change in income from operations is calculated by dividing the peso increase (decrease) in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase (decrease) in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance and miscellaneous income/cost decreased by 18% from P123.4 million for the first three quarters of 2014 to P101.1 million for the first three quarters of 2015. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax increased by 10% from P36.5 million for the first three quarters of 2014 to P 40.2 million for the first three quarters of 2015. Net income increased by 10% from P 85.2 million for the first three quarters of 2014 to P93.8 million for the first three quarters of 2015. 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/decrease in net income by the peso net income during the comparable period of previous year.

The Company's total assets decreased by 8% from P8.864 billion in 2014 to P8.151 billion in 2015. Current ratio increased from 1.73:1 in 2014 to 1.90:1 in 2015, while Equity ratio increased by 8.8% at 0.46:1 in 2014 to 0.50:1 in 2015.

The increase in cash and cash equivalents and the decrease in trade and other receivable was due to full collection of receivable from SMDC for sale of all shares of 102 Edsa Realty collected last May 2015. The decrease in inventories was due to end of contract of distributed products. The increase in other current assets was due to advances. The decrease in non-current asset was due to amortization of prepaid marketing development. The decrease in accounts payable-trade was due to payments mad to suppliers. The decrease in notes payable and the current portion of long term debt was due to payments during the period. The decrease in acceptances payable was due to payments of trust receipts. The amount of income tax payable decreased since the amount as of 31 December, 2014 represents the audited final and adjusted income tax payable as of the end of year 2014, while the amount as of 30 September 2015 represents the income tax due for the third quarter of 2015. The decrease in Retained Earnings was due to the declaration of 5% cash dividends in May 26, 2015.

Projection

The Company expects to increase its sales in 2015 by about 7% primarily due to the expected 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..

SIGNATURES

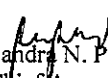
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EURO-MED LABORATORIES PHILS., INC.

By:


Georgiana S. Evidente
President 

November 12, 2015


Sandra N. Pineda
Chief Accountant

November 12, 2015

EURO-MED LABORATORIES PHIL., INC.

STATEMENTS OF FINANCIAL POSITION

		30 September	31 December
	Notes	2015	2014
		(Unaudited)	Audited
ASSETS			
Current			
Cash	6,32	P859,190,032	P842,196,925
Trade and other receivables, net	5,7,34	1,626,985,347	2,286,451,419
Inventories	5,8	1,147,693,787	1,214,208,359
Other current assets	9,33	721,272,000	664,118,196
		4,355,141,166	5,006,974,899
Non-current			
Investment in subsidiary	10	600,000,000	600,000,000
Property, plant and equipment	5,11	2,577,206,269	2,599,790,418
Intangible Assets	5,12	224,590,358	224,725,548
Deferred tax assets	3,5,27	40,744,540	40,744,539
Other non-current assets	5,13,20	353,115,775	391,843,572
		3,795,656,942	3,857,104,076
TOTAL ASSETS		P8,150,798,108	P8,864,078,975
LIABILITIES AND EQUITY			
Current			
Trade accounts payable	14,35	257,780,650	340,114,670
Notes payable	15,32	1,751,165,998	2,008,600,000
Current portion of long-term loan	15,32	119,023,667	322,761,333
Acceptances payable	16,32	93,612,875	125,856,665
Income tax payable	4,28	17,886,030	45,355,366
Others	17,32	53,669,501	52,008,448
		2,293,138,722	2,894,696,482
Non-current			
Notes payable -net of current portion	15,34	952,024,667	952,024,667
Retirement liability	3,5,28	93,816,421	93,816,421
		1,045,841,088	1,045,841,088
Equity			
Share Capital	18	4,112,140,540	4,112,140,540
Share premium	18	66,609,227	66,609,227
Retained Earnings	3,31	654,315,859	766,038,969
Accumulated Actuarial Losses on defined benefit obligation	3,27	(21,247,331)	(21,247,331)
		4,811,818,295	4,923,541,405
TOTAL LIABILITIES AND EQUITY		P8,150,798,108	P8,864,078,975

See accompanying Notes to Financial Statements

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

	Notes	2015		2014	
		July-September	Jan. - September	July-September	Jan. - September
NET SALES	20	P754,430,662	P2,143,228,882	P867,216,529	P2,303,243,552
COST OF GOODS					
MANUFACTURED AND SOLD	21,27	488,287,556	1,360,128,327	602,637,899	1,527,864,967
GROSS PROFIT		266,143,106	783,100,555	264,578,630	775,378,585
OPERATING EXPENSES					
Administrative and selling expenses	23,29	(111,491,629)	(346,515,408)	(91,440,723)	(321,926,477)
Distribution expenses	22,29	(71,050,857)	(201,338,799)	(77,835,340)	(208,332,484)
		(182,542,486)	(547,854,207)	(169,276,063)	(530,258,961)
OPERATING INCOME		83,600,620	235,246,348	95,302,567	245,119,624
Other Income (Charges)					
Finance income		3,400,939	7,028,712	1,255,131	4,013,905
Finance cost	24	(31,818,550)	(113,795,662)	(49,965,499)	(135,684,963)
Foreign exchange gain (loss)		4,029,274	5,246,868	(591,922)	2,510,325
Miscellaneous income	25	407,817	393,616	3,967,557	5,730,133
		(23,980,520)	(101,126,466)	(45,334,733)	(123,430,600)
INCOME BEFORE INCOME TAX		59,620,100	134,119,882	49,967,834	121,689,024
PROVISION FOR INCOME TAX	28	17,886,030	40,235,965	14,990,351	36,506,708
NET INCOME		P41,734,070	P93,883,917	P34,977,483	P85,182,316
EARNINGS PER SHARE					
Basic and Diluted	31	P0.01	P0.02	P0.01	P0.02

See accompanying Notes to Financial Statements

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

	Share Capital (Notes 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 19)	Accumulated Actuarial Losses on Retirement Benefit Plan (Note 29)	September 30, 2015
Balances, 31 December 2014	P 4,112,140,540	P66,609,227	P766,038,969	P(21,247,331) P	P4,923,541,405
Net income -- for the period Jan.-September 2015			93,883,917		93,883,917
Cash Dividends			(205,607,027)		(205,607,027)
As at September 30, 2015	P 4,112,140,540	66,609,227	654,315,859	(21,247,331) P	4,811,818,295

	Share Capital (Notes 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 19)	Accumulated Actuarial Losses on Retirement Benefit Plan (Note 29)	September 31, 2014
Balances, 31 December 2013	P 4,112,140,540	P66,609,227	P772,880,348	P(21,247,331) P	P4,930,382,783
Net income -- for the period Jan.- September 2014			85,182,318		85,182,318
Cash Dividends			(205,607,027)		(205,607,027)
As at September 30, 2014	P 4,112,140,540	66,609,227	652,455,639	(21,247,331) P	4,809,958,074

See accompanying Notes to Financial Statements

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

		For The Nine Months Ended September	
	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P 134,119,882	P 121,689,026
Adjustments for:			
Depreciation and amortization	3,11	119,359,712	130,464,544
Finance Cost	24	113,795,662	135,684,963
Foreign exchange(gain) loss		(5,246,868)	(2,166,743)
Finance/Miscellaneous Income (loss)	6,25	(7,422,328)	(6,073,715)
Operating income before working capital changes		354,606,060	379,598,075
Changes in assets and liabilities:			
(Increase) Decrease in:			
Trade and other receivables, net	7,32	674,466,072	(48,174,653)
Inventories	8	66,514,572	176,492,174
Other current assets	9	(72,153,804)	(126,212,423)
Other non-current assets	13	38,727,797	(16,752,927)
Increase (decrease) in:			
Trade accounts payable	14	(82,334,020)	(66,965,659)
Acceptances payable	16	(32,243,790)	(158,973,959)
Other current liabilities	17	1,661,053	(46,229,710)
Cash generated from operations		949,243,940	92,780,918
Interest paid	24	(113,795,662)	(135,684,963)
Income tax	28	(67,705,301)	(82,736,418)
Interest received	6,25	7,422,328	6,073,715
Net cash provided by operating activities		775,165,305	(119,566,748)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
Property, plant and equipment	3,11	(96,775,763)	(36,538,532)
Net cash used in investing activities		(96,775,763)	(36,538,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments/(payments) of loan	15,32	(461,171,668)	383,497,166
Net cash provided by financing activities		(461,171,668)	383,497,166
NET INCREASE IN CASH		16,993,107	43,829,106
CASH, BEGINNING OF YEAR	6	842,196,925	649,012,562
CASH END OF THE PERIOD	6,32	P 859,190,032	P 692,841,668

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Euro-Med Laboratories Phil., Inc. (the "Parent Company") is domiciled and was incorporated on January 29, 1988 in the Republic of the Philippines and is registered with the Securities and Exchange Commission having the number 148022. The Parent Company is a publicly listed corporation and had its first listing on the Philippine Stock Exchange (PSE) on July 2, 1998. The Parent Company is 58.41% owned by U.S Automotive, Inc., which is also incorporated in the Philippines. The Parent Company's registered office address is at PPL Building, United Nations Avenue corner San Marcelino St., Manila.

The Parent Company 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 Parent Company is currently the largest manufacturer of high quality intravenous fluids in the Philippines.

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 was received on May 29, 2015. 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. The transfer of land to SMDC was made on December 2014. 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.

2. Basis of Preparation

Basis of Financial Statement Presentation

The accompanying parent company financial statements have been prepared using the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Parent Company's presentation and functional currency is the Philippine Peso. All amounts are rounded off to the nearest peso unless otherwise indicated.

The parent company financial statements provide comparative information in respect of the previous period.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements, presented in compliance with Philippine Financial Reporting Standards (PFRS).

Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRS, which includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretation Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (SEC).

3. Changes in Accounting Policies

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the parent company 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 Parent Company, 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 parent company's 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 does not have a significant effect on the Parent Company's 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 Parent Company'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 parent company 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 parent company 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 on the parent company financial statements 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 financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements of the Parent Company.

- 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 Parent Company'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 Parent Company 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 Parent Company'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, since the Parent Company 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 1, 2015 and are not expected to have a material impact on the Parent Company. 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 1, 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 Parent Company 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 Parent Company. 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 1, 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 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company given that the Parent Company 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 1, 2016, with early adoption permitted. These amendments are not expected to have any impact as the Parent Company 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 1, 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 1, 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 1, 2016, with early adoption permitted. These amendments are not expected to have any significant impact to the Parent Company.

- **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 1, 2016. Since the Parent Company 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 Parent Company. 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 1, 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 Parent Company's financial assets but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The adoption will also have an effect on the Parent Company's application of hedge accounting. The Parent Company will continue to monitor developments in this reporting standard and assess its impact on or need for adoption by the Parent Company.

- *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 1, 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 1, 2015.

The adoption of PFRS 9 may have an effect on the classification and measurement of the Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The Parent Company 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 1 January 2017 with early adoption permitted. The Parent Company 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

The significant accounting policies that have been used in the preparation of the parent company financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Cash

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

Financial Assets and Financial Liabilities

Date of recognition

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

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction cost.

The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets, and loans and receivables. The Parent Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Determination of fair value

The Parent Company measures financial instruments, such as AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost.

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:

The principal or the most advantageous market must be accessible to by the Parent Company. 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 Parent Company 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 parent company 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 financial statements on a recurring basis, the Parent Company 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 Parent Company 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.

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 September 30, 2015 and December 31, 2014, the Parent Company 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 Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. Moreover the Company 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 statement of comprehensive income. Gains and losses are amortized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

As at September 30, 2015 and 2014, the Parent Company 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 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 non-current asset if maturity is more than one year from the financial position date.

As at September 30, 2015 and 2014, the Parent Company'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 statements of comprehensive income. When the investment is disposed of, the cumulative gains or losses previously recognized as other comprehensive income is recognized in other income. Interest earned or paid on the investment is reported as interest income or expense using the effective interest rate.

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 non-current.

As at September 30, 2015 and 2014, the Parent Company 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 payable", "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 parent company statement of comprehensive income when the liabilities are derecognized or impaired, as well as through amortization process.

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 Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or
- the Parent Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability

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 parent company statements of comprehensive income.

Impairment of Financial Assets

At each reporting date, the Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance account, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was

recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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 statement of comprehensive income – is removed from the equity and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in equity.

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

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 Parent Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

Offsetting Financial Instruments

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

Inventories

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

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 net realizable value, the Parent Company considers any adjustments necessary for obsolescence.

Net Realizable Value (NRV) for raw materials is the current replacement cost.

Prepaid Expenses

Prepaid expenses, included under "Other current assets" account in the parent company statement of financial position are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. Prepayments that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise are classified as other noncurrent assets.

Investment in Subsidiaries

The Parent Company's investments in subsidiaries are accounted for under the cost method less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Property, Plant and Equipment

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

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

Land is stated at cost less impairment in value, if any.

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.

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 Parent Company assessed the useful life of trademarks and licenses 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 Parent Company.

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 derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset is 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 investment in subsidiaries, 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.

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.

Dividend distributions

Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Parent Company. 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.

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.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company 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:

Sale of goods

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

Service income

Service income is recognized upon completion of service to be rendered and the amount of revenue can be measured reliably. Rent income from operating lease is recognized on a straight basis over the lease term. For income tax reporting, rent income is continued to be recognized on the basis of the terms of the lease agreement.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Interest income

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

Other income

Revenue is recognized when earned or upon disposal.

Costs and Expenses

Cost and expenses are recognized in the 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

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

Selling and general and administrative expenses

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.

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;

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

Parent Company as a lessee

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

Parent Company as a lessor

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

Borrowing Costs

Borrowing costs are generally expense 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.

Retirement Benefits

Defined benefit plan

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 or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. 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.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Tax

Current income tax

Current income 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 at the financial reporting period.

Deferred income tax

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

Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carry forward benefits of unused tax credits from

excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets and liabilities, however, are not recognized when the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax assets and liabilities are not provided on non-taxable or nondeductible temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax assets and liabilities are recognized except when 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 income tax assets is reviewed at the end of each reporting period and reduced 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. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred income tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred income tax assets and liabilities are measured at the tax rates that are 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 at the end of reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off the current income tax asset against the current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation 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" (see Note 9) or "Other current liabilities" (see Note 17), included under other current liabilities in the statement of financial position.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses arising from foreign exchange transactions are credited or charged to operations for the year.

Business Segment Information

The Parent Company's properties which are all located in the Philippines is primarily used in manufacturing pharmaceutical products whether for domestic and export sales that constitute the Parent Company's reportable segments, which is consistent with how the

Parent Company's management internally disaggregate financial information for the purpose of making internal operating decisions and evaluating performance. The Parent Company has a customer base composed of more than 8,000 institutions nationwide. The Parent Company's sales are not dependent on one or a few major customers and no customer accounts for more than ten (10) percent of the Parent Company's sales. Details of the Parent Company's domestic and export sales are shown in Note 21.

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

Provisions

Provisions are recognized when: (a) the Parent Company 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 Parent Company statement of comprehensive income.

Contingencies

Contingent liabilities are not recognized in the 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 parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Earnings per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding capital stock purchased by the Parent Company 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 the net income for the year attributable to ordinary equity holders of the Parent Company (after deducting interest on convertible preferred shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary

The Parent Company 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.

Events after the End of Reporting Period

Events after the end of reporting period that provides additional information about the Parent Company'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 parent company financial statements.

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

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

Classification of financial instruments

The Parent Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Parent Company 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 parent company statement of financial position.

Determination of type of lease - operating lease

The Parent Company has lease agreements in respect of its depots and office. The Parent Company evaluates whether significant risks and rewards of ownership of the leased properties retained by the lessor (operating lease). The Parent Company 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.

Total lease expense arising from operating leases amounted to P29.4 million and P27.6 million for the period September 30, 2015 and 2014, respectively (see Note 30).

Contingencies

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

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:

Impairment of loans and receivables

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

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

The related balances follow (see Note 7):

	September 30, 2015	2014
Receivables	P1,647,916,848	P2,328,450,129
Allowance for impairment losses	41,998,709	41,998,709
Provision for impairment loss	-	2,553,612

Measurement of Net Realizable Value (NRV) of inventories

The Parent Company'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 Parent Company's inventories carried at cost as at September 30, 2015 and 2014 amounted to P 1,147.7 million and P1,214.2 million, respectively (see Note 8).

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 Parent Company evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Parent Company 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 Parent Company'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.

Estimation of useful lives of property, plant and equipment

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

The related balances follow (see Note 11):

	September 30, 2015	2014
Cost	P 5,472,196,343	P 5,375,453,782
Accumulated depreciation and amortization	2,894,990,073	2,775,630,364
Depreciation and amortization	119,359,712	169,548,224

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 Parent Company.

Intangible asset with finite useful lives amounted to P1. 2 million and P1.3 million as of September 30, 2015 and 2014, respectively (see Note 12).

Impairment of trademarks and licenses with indefinite lives

The Parent Company 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 require 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 P224.6 million as at September 30, 2015 and 2014 (see Note 12).

Asset Impairment

The Parent Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant under performance 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 Parent Company 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 Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

No indications of further impairment were noted on property, plant and equipment as at September 30, 2015 and 2014 (see Note 11).

Recognition of deferred income tax assets

The Parent Company 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 Parent Company'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 Parent Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Parent Company 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 parent company statement of financial position are the same amounted to P40.7 million as at September 30, 2015 and 2014 (see Note 29).

Estimation of retirement benefits cost and liability

The cost of defined benefit retirement plans as well as the present value of the retirement obligation is 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.

The retirement liability as at September 30, 2015 and 2014 amounted to P93.8 million. Further details are provided in Note 28.

6. Cash

This account consists of:

	September 30, 2015	2014
Cash on hand and revolving funds	26,491,206	P 43,366,486
Cash in banks	832,698,826	798,830,439
	859,190,032	842,196,925

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P 0.6 to 1.3 million for the period September 30, 2015 and 2014, respectively. As at September 30, 2015 and 2014, cash in bank includes foreign currency-denominated deposits amounting to \$ 10.9 or 512.3 million and \$9.9 or P441.3 million, respectively (see Note 33).

7. Receivables

This account consists of:

	September 30, 2015	2014
Trade	1,647,916,848	P 1,699,594,577
Receivable from SMDC	0	625,000,000
Others	6,067,208	3,855,551
	1,653,984,056	2,328,450,128
Less allowance for impairment losses	41,998,709	41,998,709
	P1,611,985,347	P 2,286,451,419

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 was collected on May 29, 2015 (see Note 1).

Other receivables consist mainly of receivable from the Social Security System for sickness and maternity benefits advanced by the Parent Company. Other receivables do not contain any impaired assets.

The Parent Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. Allowance for impairment losses relates to trade receivables. No allowance was provided on other receivables. Changes in the allowance for impairment losses for the years ended September 30, 2015 and 2014 are as follows:

	September 30, 2015	2014
Balance, January 1	41,998,709	P 39,445,097
Provision for the period (see note 24)	0	2,553,612
	41,998,709	P 41,998,709

As at September 30, 2015 and 2014, the creation of provision for impaired receivables have been included in the 'administrative and selling expenses' in the statement of comprehensive income (Note 23).

8. Inventories

The account consists of:

	September 30, 2015	2014
Raw materials	311,421,361	P 232,614,606
Finished goods	836,272,426	981,593,753
	1,147,693,787	P 1,214,208,359

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:

	September 30, 2015	2014
Raw materials	469,606,640	P 366,549,188
Finished goods	1,048,659,074	1,258,502,430
	1,518,265,714	P 1,625,051,618

9. Other Current Assets

This account consists of:

	September 30, 2015	2014
Advances to related parties	509,228,775	479,528,775
Prepaid marketing development	69,348,303	80,446,677
Bidders and performance bonds	40,935,373	46,086,800
Advances and deposits	61,149,591	26,910,573
Advances to officers and employees	27,201,167	20,072,966
Creditable withholding VAT and tax	13,408,793	11,072,404
	721,272,000	P 664,118,196

Advances to subsidiaries refer to advances made by the Parent Company to its wholly owned subsidiaries, Hemotek Renal Center, Inc. and CafeFrance Corp. The terms and conditions relating to related party receivables are further discussed in Note 20.

Prepaid marketing and 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.

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 suppliers and contractors 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.

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

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.

10. Investments in Subsidiaries

The Parent Company's investments in subsidiaries accounted for under cost method of accounting, adjusted for impairment loss, if any, and the related percentages of ownership are shown below:

	Percentages of Direct Ownership		Carrying amounts	
	2015	2014	September 30, 2015	2014
Café France Corp.	100%	100%	P 350,000,000	P 350,000,000
Hemotek Renal Center, Inc.	100%	100%	250,000,000	250,000,000
			P 600,000,000	P 600,000,000

11. Property, Plant and Equipment

The composition of and movements in Parent Company's property, plant and equipment is as follows

	September 30, 2015				
	Land and Improvements	Building and Improvements	Machineries and Equipment	Transportation Equipment	Total
Cost					
At beginning of year	P40,540,718	P507,856,724	P4,801,525,925	P25,497,414	P5,375,420,781
Additions					-
Disposals		- 57,537,196	46,538,367	(7,300,000)	96,775,563
At end of period	40,540,718	565,393,920	4,848,064,292	18,197,414	5,472,196,343
Accumulated depreciation					
At beginning of year	16,611,648	210,431,279	2,154,748,073	12,889,374	2,394,680,374
Depreciation and Disposals	587,013	10,165,782	108,007,504	599,411	119,359,711
At end of period	17,198,661	220,597,061	2,262,755,577	13,488,785	2,514,040,084
Accumulated impairment					
		- 62,924,584	318,025,405	-	380,949,989
Net Book Value	P 23,342,057	P 281,872,275	P 2,267,283,309	P 4,708,629	P 2,577,206,270

	2014				Total
	Land and Improvements	Building and Improvements	Machineries and Equipment	Transportation Equipment	
Cost					
At beginning of year	P40,540,723	P484,158,027	P4,778,504,267	P25,120,589	P5,328,323,606
Additions	-	23,731,697	23,021,655	376,824	47,130,176
At end of year	40,540,723	507,889,724	4,801,525,922	25,497,413	5,375,453,782
Accumulated depreciation and amortization					
At beginning of year	15,828,966	196,471,455	2,000,741,571	12,123,159	2,225,165,151
Depreciation and amortization	782,684	13,959,824	154,006,501	799,215	169,548,224
At end of year	16,611,650	210,431,279	2,154,748,072	12,922,374	2,394,713,375
Accumulated impairment losses					
At beginning of year	-	62,924,584	318,025,405	-	380,949,989
At end of year	-	62,924,584	318,025,405	-	380,949,989
Net Book Value	P 23,929,073	P 234,533,861	P 2,328,752,445	P 12,575,040	P 2,599,790,418

Depreciation and amortization expense charged to operations amounted to P79.6 million and P169.5 million for the period ended September 30, 2015 and 2014, respectively, broken down as follows:

	September 30, 2015	2014
Cost of goods manufactures and sold	110,993,886	P 159,234,665
Administrative and selling expenses	4,856,370	5,724,252
Distribution expenses	3,509,456	4,589,307
	119,359,712	P 169,548,224

Impairment losses recognized in 2012

In 2012, the Company sold its investment in shares of stock in 102 EDSA that owns the land where the Company's Mandaluyong plant is located. In relation to the sale, the Company recognized impairment losses on property, plant and equipment amounting to P380.9 million which is recognized in the statement of comprehensive income under 'Provision for impairment loss on property, plant and equipment'. 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 Company'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 (see Note 10).

There is no additional impairment losses recognized in respect of property and equipment during the year.

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 P69.6 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 September 30, 2015 and 2014 (see Note 15).

12. Intangible Assets

This account consists of:

	September 30, 2015	2014
Trademarks and licenses	223,399,836	P 223,399,836
Patents and rights	1,190,522	1,325,712
	224,590,358	P 224,725,548

Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Parent 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 Parent Company has registered trade names and trademarks with the Department of Trade-Bureau of Patents, Trademarks and Technology (BPTTT).

Movement in patents rights account for the period September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	2014
Beginning balance	1,325,712	P 1,505,966
Additions during the year	0	0
Amortization during the period	-135,191	(180,254)
	1,190,522	P 1,325,712

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

13. Other Non-current Assets

This account consists of:

	September 30, 2015	2014
Prepaid marketing and development expense -		
net of current portion (Note 9)	279,595,743	P 322,288,522
Advances to suppliers and contractors - (net of current portion) (Note 9)		
Advances to officers and employees - net of current portion (Note 9)	50,672,	46,688,658
Deferred input VAT	22,647,466	22,666,391
Available for sale financial assets	200,000	200,000
	353,115,775	P 391,843,571

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.

Available-for-sale financial assets are the Parent Company's investment in Casino Español de Manila (CEdM). The fair value is equal its year-end book value while the the CEdM securities are carried at cost. Details of this account are as follow:

	September 30, 2015	2014
Casino Espanol de Manila	P 200,000	P 200,000
	P 200,000	P 200,000

Investment in Casino Español de Manila represents corporate proprietary shares.

14. Trade Payable

Trade payable mainly includes unpaid billings from the Parent Company's suppliers of raw materials, distributed products and other services. These are non-interest-bearing and normally settled within one (1) year. As at September 30, 2015 and 2014, trade payable amounted to P257.8 million and P340.1 million, respectively.

15. Notes Payable and Long-term Loans

This account consists of:

	September 30, 2015	2014
Notes payable	1,751,165,999	P 2,008,600,000
Long-term loans	1,071,048,333	1,274,786,000
	2,822,214,332	P 3,283,386,000

The movements of this account are as follows:

	September 30, 2015	2014
Balance, beginning of year	3,283,386,000	P 2,916,316,667
Availments during the year	648,000,000	1,622,000,000
Payments during the year	-1,109,171,667	(1,254,930,667)
Balance, end of year	2,822,214,333	P 3,283,386,000

Notes Payable

Notes payable represents unsecured peso-denominated bank loans with an annual interest ranging from 4.00%-6.99% and 2.83%-6.00% in 2015 and 2014, respectively.

The Parent Company 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 Parent Company from local banks payable in three (3) to seven (7) years on principal amortization and interest rates are based on T-bills plus spread. The loan proceeds were used to refinance short-term notes payable and for capital expenditures.

The loans are collateralized by a mortgage on land with an area of 36,314 sq. meters in Cavite; building and improvements on land; and machinery consisting of three production lines. The details of property, plant and equipment pledged as security to these loans follow:

	Sept. 30, 2015	2014
Land	P 152,519,000	P 152,519,000
Building and 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 in house appraisal of the bank. The titles of real estate properties were not restricted.

Long term loans mature until 2019 and bear interest rates ranging from 3.32%-8.75% in 2015 and 3.32%-8.50% in 2014. The maturities of long-term loan at nominal values as at

Description	Interest rates	More than			Total
		Within 1 year but less 1 year	More than 1 year than 3 years	More than 3 years	
<i>(amounts in millions)</i>					
Term loans	3.32%-8.5%	P178,881	P746,451	P205,574	P1,130,906

September 30, 2015 follow:

Total interest expenses recognized amounted to P81.9 million and P85.7 million for the period September 30, 2015 and September 30, 2014, respectively.

16. 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 September 30, 2015 and 2014, outstanding trust receipts payable amounted to P127.1 million and P125.9 million, respectively.

17. Other Current Liabilities

This account consists of:

	September 30, 2015	2014
Accrued expenses	42,272,601	P 30,444,437
SSS/Pagibig/Philhealth premiums and loans	2,214,325	2,311,551
Withholding taxes	5,395,501	5,511,350
VAT payable	2,939,661	11,757,431
Deferred Output VAT	847,413	1,983,679
	53,669,501	P 52,008,448

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

18. Equity

Capital stock

The movement in the number of shares follows:

	2015	2014
Authorized - P1 par value	5,000,000,000	5,000,000,000
Issued and outstanding	P4,112,140,539	P4,112,140,539

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 a meeting held on May 26, 2015, 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, 2014, to all stockholders of record as of June 17, 2015 and payable on July 11, 2015.

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.

Capital Management

The Parent Company adopted the financial concept of capital which comprises all components of equity, i.e. share capital, share premium retained earnings, etc. The primary objective of the

Parent Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Parent 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 Parent 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 as they have been applied in previous years.

The Parent Company monitors its use of capital structure using a gearing ratio of debt to equity which is gross debt divided by total capital. The Parent Company includes within gross debt all loans and borrowings, while equity represents total equity. Following is the computation of the Parent Company's debt-to-equity ratio as at September 30, 2015 and 2014:

	September 30, 2015	2014
Short-term debts		
Trade payables	257,780,650	P 340,114,670
Notes payable	1,751,165,998	2,008,600,000
Current portion of long-term loans	119,023,667	322,761,333
Trust receipts payable	93,612,875	125,856,665
Other current liabilities	53,669,501	52,008,448
	2,275,252,691	2,849,341,116
Long-term debts		
	952,024,667	952,024,667
Total debt (a)	3,227,277,358	P 3,801,365,783
Equity (b)	4,811,818,294	P 4,923,541,404
Debt-to-equity	67%	77%

The Parent Company is not subject to externally imposed capital requirements.

The capital structure of the Parent Company consists of equity attributable to equity holders comprising issued capital, paid-up capital, retained earnings and accumulated actuarial losses on defined benefit obligation.

There were no changes in the Parent Company's approach to capital management during the period.

19. Related Party Transactions

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 (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Parent Company where those parties are individuals, and post-employment benefit plan which are for the benefit of employees of the Parent Company or of any entity that is a related party of the Parent Company.

The Parent Company 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 summary of balances arising from related transactions for the relevant financial year follows:

September 30, 2015			
Related Party	Nature of Transactions	Amount/ Volume	Terms and Conditions
Parent			
U.S Automotive Co., Inc.	Operating lease	P16.4 Million	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Subsidiaries			
Hemotek Renal, Inc.	Cash advances	30.0 Million	Interest free; unsecured; Unimpaired; and with no fixed terms of repayments and will be settled in cash
	Receivables	156.5 Million	Interest free; unsecured; Unimpaired; and with a 30-120 day credit term
	Sales	27.1 Million	Unsecured and will be settled in cash
CaféFrance Corporation	Cash advances	472.6 Million	Interest free; unsecured; Unimpaired; and with no fixed terms of repayments and will be settled in cash
Affiliates			
Manila Bulletin Publishing	Advertising	5.7 Million	Advertising rates charged

Corp.	services		are the same as charged to regular customers; Unsecured and will be settled in cash
Manila Hotel	Hotel services	0.98 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	137.3 Million	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
Other related party			
Philippine Label Pack Corp.	Purchases of labels	5.6 Million	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers. Unsecured and will be settled in cash

20. Net Sales

This account consist of:

	September 30, 2015	September 30, 2014
Local sales	P 1,907,012,573	P 2,033,934,524
Export sales		
ASEAN	202,156,815	207,641,319
Other Asian countries	18,337,712	14,013,455
Africa	-	35,940,789
Others	15,721,782	11,713,466
	236,216,309	269,309,028
	P 2,143,228,882	P 2,303,243,552

The amount above is net of sales returns and sales discounts for prompt payments and volume discounts which the Company is extending to customers in its ordinary course of business amounted to P 15.7 million and 18.9 million in 2015 and 2014, respectively.

21. Cost of Goods Manufactured and Sold

This account consists of:

	Notes	September 30, 2015	September 30, 2014
Raw materials used	8	P 523,103,819	591,173,634
Direct labor		90,548,244	103,522,997
Manufacturing overhead		442,455,163	527,473,546
Cost of goods manufactured		1,056,107,226	1,222,170,178
Finished goods			
Beginning of year		981,593,751	1,061,378,729
Purchases		158,699,777	208,960,693
End of year	8	(836,272,426)	(964,644,633)
		P 1,360,128,325	P 1,527,864,967

The details of raw materials used at September 30, 2015 are as follow:

	September 30, 2015	September 30, 2014
Beginning of year	P 232,614,606	P 321,280,042
Purchases	601,910,574	511,415,556
Raw materials available for use	834,525,180	832,695,598
End of year	(311,421,361)	(241,521,964)
	P 523,103,819	P 591,173,634

22. Distribution Expenses

This account consists of:

	Notes	September 30, 2015	September 30, 2014
Delivery expense		P 126,273,891	P 138,075,325
Rentals	29	30,800,847	28,196,496
Salaries and wages		13,614,882	13,365,112
Taxes and licenses		12,005,859	11,618,006
Depreciation and amortization	11	3,509,456	3,441,981
Repairs and maintenance		3,642,898	2,421,982
Light and water		2,797,825	2,821,952
Transportation and travelling		1,068,811	1,330,600
Office/warehouse supplies		1,412,715	1,116,260
Insurance		638,072	696,489
Postage and telephone		1,214,476	1,065,981
SSS/Medical/ECC/HDMF		857,619	773,269
Representation and entertainment		472,764	258,208
Miscellaneous		3,028,686	3,150,824
		P 201,338,798	P 208,332,484

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

23. Administrative and Selling Expenses

This account consists of:

	Notes	September 30, 2015	September 30, 2014
Marketing and development expense		P 140,775,229	P 105,150,576
Salaries and commissions		84,080,926	87,644,176
Transportation and travelling		35,263,969	35,871,935
Rentals	29	14,866,830	14,866,830
Representation and entertainment		13,831,926	13,227,731
Taxes and licenses		11,745,838	13,006,899
Professional fees		9,948,201	8,064,913
Light and water		4,031,994	5,143,357
Depreciation and amortization	11	4,991,561	4,293,189
Gas and oil		3,906,787	4,117,801
SSS/Medical/ECC/HDMF		4,114,984	4,118,394
Postage and telephone		2,779,277	3,612,889
Training and seminars		2,060,516	3,269,961
Office supplies		1,954,074	2,697,729
Contractual services		2,752,467	2,772,785
Insurance		1,906,323	1,581,707
Repairs and maintenance		900,421	1,338,006
Miscellaneous		6,604,086	11,147,599
		P 346,515,407	P 321,926,477

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

24. Interest Expense

This account consists of interests on loans as follows:

	September 30, 2015	September 30, 2014
Short-term loans	85,346,746	P 101,748,829
Long-term loans	28,448,916	33,936,134
	113,795,662	P 135,684,963

No amounts of interest were capitalized for each of the period covered.

25. Miscellaneous Income and Expense

This account consists of:

	Sept. 30, 2015	Sept. 30, 2014
Interest on car/housing loans	1,624,792	P 1,702,290
other miscellaneous income	815,771	4,371,424
other miscellaneous expense	-2,046,947	
	393,615	P 6,073,714

"Other misc. income" pertain to income from sale of boxes, stability testing, labeling, penalty for customer late payment.

"Other misc. expense" pertain to non-deductible expense from the company's year 2011 BIR audit penalty charges.

26. Research and Development Cost

Research and development (R&D) expenditures amounting to P 9.3 million and P5.2 million for the periods September 30, 2015 and September 30, 2014, that were recognized as an expense during the period consist of materials, research cost, laboratory supplies and salary of R&D staff.

27. Retirement Liability

The Company 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 Parent Company. 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 parent company statement of comprehensive income are as follows:

	2014		2013	
Current service cost	P	6,791,328	P	6,423,468
Net interest cost		4,160,798		4,257,654
	P	10,952,126	P	10,681,122

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

	2014		2013	
Cost of goods sold and manufactured	P	4,855,568	P	4,735,420
Distribution expenses		675,296		658,586
Administrative and selling expenses		5,421,262		5,287,116
	P	10,952,126	P	10,681,122

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

	2014		2013	
Balance at beginning of year	P	93,379,400	P	85,774,000
Current service cost		6,791,328		6,423,468
Net interest cost		4,160,798		4,257,654
Benefits paid		(10,515,105)		(5,637,432)
Actuarial loss/(gain) due to:				
Experience adjustments		-		(2,419,290)
Change in demographic assumptions		-		-
Changes in financial assumptions		-		4,981,000
Balance at end of year	P	93,816,421	P	93,379,400

The retirement liability is as follows:

	2014		2013	
Present value of benefit obligation	P	93,816,421	P	93,379,400
Fair value of plan assets		-		-
Liabilities recognized in the statements of financial position	P	93,816,421	P	93,379,400

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

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

	2014		2013	
Balance at beginning of year	P	93,379,400	P	85,774,000
Total retirement expense		10,952,126		10,681,122
Total amount recognized in OCI		-		2,561,710
Actual contributions		-		-
Benefits paid from the Company operating funds		(10,515,105)		(5,637,432)
Balance at end of year	P	93,816,421	P	93,379,400

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

Plan Year	Expected Benefit Payments
Less than 1 year	P 7,617,205
More than 1 year to 5 years	56,009,873
More than 5 years to 10 years	68,788,437
More than 10 year to 15 years	57,462,262
More than 15 year to 20 years	59,470,727
More than 20 years	72,045,110

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

	2014	2013
Discount rate	4.49%	4.49%
Salary increase rate	3.00%	3.00%
Turnover rate	24.91%	24.91%

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

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, 2014, assuming if all other assumptions were held constant:

Description	Increase/decrease in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+1.00%	P 86,177,300
	-1.00%	(101,673,100)
Salary increase rate	+1.00%	97,825,500
	-1.00%	(89,545,400)
Turnover rate	+1.00%	92,562,200
	-1.00%	(94,254,000)

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

28. Income Taxes

The Parent Company'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 parent company statement of comprehensive income.

Under Republic Act No. 9337 – Income tax amendments, the corporate income tax rate applicable from January 1 to October 31, 2005 of 32% in 2005 was increased to 35% effective November 1, 2005, decreasing to 30% effective on January 1, 2009. Because of the change in the corporate income tax rate, the allowable deduction for interest expense in Section 34(B)(1) is reduced by 42% (from 38%) of interest income subject to final tax and 33% (from 42%) upon the effectivity of the 30% corporate tax rate on January 1, 2009.

The income tax for the period ended September 30, 2015 and 2014 were estimates and unaudited. The final tax for the year is recomputed and audited by the external auditor of the Company.

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

	2014		2013	
Unfunded retirement liability	P	28,144,926	P	28,013,820
Allowance for impairment of receivables		12,599,613		11,833,530
	P	40,744,539	P	39,847,350

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

	2014			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P 28,144,926	P -	P -	P 28,144,926
Allowance for impairment losses	11,833,529	766,084	-	12,599,613
	P 39,978,455	P 766,084	P -	P 40,744,539

	2013			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P 25,732,200	P 1,513,107	P 768,513	P 28,013,820
Allowance for impairment losses	11,037,924	795,606	-	11,833,530
	P 36,770,124	P 2,308,713	P 768,513	P 39,847,350

The Parent Company did not recognize deferred tax asset on impairment loss recognized in 2012. The management believes that there is no foreseeable future benefit.

29. Commitments

Unused letters of credit

The Parent Company's unused letters of credit amounted to approximately P171.2 million in 2015 and P242.2 million in 2014.

Operating lease commitments-Parent Company as a lessee

The Parent Company leases a number of branches 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:

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

	September 30, 2015	September 30, 2014
Cost of goods manufactured and sold	125,000	P 19,547,445
Distribution expense	30,800,847	28,196,496
Administrative and selling expense	14,866,830	14,866,830
	45,792,677	P 62,610,771

30. Contingencies

As at September 30, 2015, 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.

31. Earnings Per Share (EPS)

Computation of basic and diluted EPS is shown below:

	September 30, 2015	September 30, 2014
Net income	93,883,917	P 85,182,319
Divided by the weighted average number of shares	4,112,140,540	4,112,140,540
	0.02	P 0.02

32. Financial Risk Management Objectives and Policies

The principal financial instruments of the Company 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 Parent Company's operations. The Parent Company 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 Parent Company'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 Parent Company's overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Parent Company's financial performance.

Credit Risk

To manage credit risk, the Parent Company trades only with recognized and credit-worthy customers. It is the Parent Company'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 Parent Company'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 Parent Company, which consist of cash with banks and refundable deposits, the Parent Company'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 Parent Company's financial assets, which is equal to the carrying amounts in the statement of financial position, is shown below:

	September 30, 2015	2014
Cash in banks	702,974,619	P798,830,439
Receivables	1,653,984,057	2,328,450,128
Other current assets		
Advances to subsidiaries	509,228,773	479,528,771
Advances to suppliers and contractors	76,149,591	38,403,466
Advances to officers and employees	27,201,167	20,072,966
Advances to officers and employees	50,672,565	35,195,768
Available for sale financial assets	200,000	200,000
	3,020,410,771	P3,700,681,538

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

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 Parent Company's financial liabilities as of September 30, 2015 and 2014 based on contractual undiscounted payments (principal and interest).

	2015				
	Total		Contractual undiscounted payments		
	Carrying	On	Less than		
	Value	demand	1 year	1 to 5 years	> 5 years
Trade payables	P257,780,650		P257,780,650		
Notes payable current and long term loan	2,822,214,332	-	1,870,189,665	746,450,667	205,574,000
Trust receipts payable	93,612,875	-	93,612,875	-	-
	P3,173,607,857		P2,221,583,190	P746,450,667	P205,574,000

	2014				
	Total		Contractual undiscounted payments		
	Carrying	On	Less than		
	Value	demand	1 year	1 to 5 years	> 5 years
Trade payables	P340,114,670		P340,114,670		
Notes payable current and long term loan	3,283,386,000	-	2,331,361,333	746,450,667	205,574,000
Trust receipts payable	125,856,665	-	125,856,665	-	-
	P3,749,357,335		P2,797,332,668	P746,450,667	P205,574,000

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 September 30, 2015 and 2014, the Parent Company's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Parent 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.

Price Risk

The Parent Company 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 Parent Company 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 Parent Company reviews its outlook for market prices regularly in considering the need for active financial risk management.

Foreign Exchange Risk

The Parent Company 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 Parent Company holds foreign currency-denominated deposits amounting to P 512,349,675 or \$ 10,968,736 as at September 30, 2015 and P441,277,192 or \$9,832,380 as of December 31, 2014, which can be affected by fluctuations of foreign currency exchange.

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

	September 30, 2015		2014	
	Foreign currency	Peso Conversion	Foreign currency	Peso Conversion
US Dollar	6,820,608	P 318,590,588	5,633,023	P 251,514,468
Euro	311,908	15,717,033	105,978	5,785,336
Singapore Dollar	15,891	531,916	16,591	561,934
ZAR	41,747,544	154,048,439	41,533,856	160,320,686
RUB	17,909,694	23,461,699	17,629,594	23,094,768
IN USD	10,968,736	P 512,349,675	9,832,380	P 441,277,192

The Parent Company also has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Parent Company's functional currency.

The table below summarizes the Parent Company's exposure to foreign exchange risk as of September 30, 2015 and December 31, 2014:

	2015		2014	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash in banks	\$10,968,736	P 512,349,675	\$9,832,380	P 441,277,192
Exchange rate		46.71		44.88

33. Financial Assets and Liabilities

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

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
<i>Loans and receivables</i>				
Cash in banks	P 832,698,826	P 832,698,826	P 798,830,439	P 798,830,439
Receivables, net	1,611,985,347	1,611,985,347	2,286,451,419	2,286,451,419
Advances to related parties	509,228,773	509,228,773	486,228,773	486,228,773
Advances and deposits	61,149,591	61,149,591	46,086,800	46,086,800
Advances to officers and employees	27,201,167	27,201,167	20,072,966	20,072,966
Advances and deposits, housing and car loans	50,672,565	50,672,565	35,195,768	35,195,768
Available-for-sale financial assets	200,000	200,000	200,000	200,000
	P 3,093,136,268	P 3,093,136,268	P 3,673,066,165	P 3,673,066,165
Financial Liabilities:				
<i>Other financial liabilities</i>				
Trade payables	P 257,780,650	P 257,780,650	P 340,114,670	P 340,114,670
Notes payable	1,751,165,998	1,751,165,998	2,008,600,000	2,008,600,000
Trust receipts payable	93,612,875	93,612,875	125,856,665	125,856,665
Long-term loans	1,071,048,334	1,071,048,334	1,274,786,000	1,262,038,140
	P 3,173,607,857	P 3,173,607,857	P 3,749,357,335	P 3,736,609,475

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 subscriber advances and deposits, advances to related parties, advances to officers and employees, trade payable and acceptances payable 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.

For non-current portion of advances and other non-current 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.

For other non-current liabilities, the fair value is estimated on the discounted values of future cash flows using the applicable zero coupon rates.

Fair Value Measurement Hierarchy

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

September 30, 2015				
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				
Long-term loans	P-	P1,071,048,334	P-	P1,071,048,334

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 1,262,038,140	P 1,262,038,140

As of September 30, 2015, the Parent Company has no financial instruments measured under levels 1 and 3.

34. Schedule of Aging of Accounts Receivable – Trade

	September 30, 2015
0-30 days	231,871,399
31-60 days	321,916,495
61-90 days	161,177,697
Over 90 days	914,169,787
under litigation	18,781,470
	1,647,916,847

35. The financial soundness indicators in two(2) comparative periods are as follows:

Financial Soundness Indicators	September 30, 2015	Dec. 31, 2014
Current Ratio	1.90	1.73
Debt to equity ratio	1.18	0.9
Asset to equity ratio	0.04	0.04
Interest rate coverage ratio	0.01	0.01
Profitability Ratio:		
Profit Margin	0.02	0.02
Return on Assets	0.01	0.01
Return on equity	0.02	0.02

36. Other Matters

Under the following disclosure requirements by Securities Regulation Code (SRC) Rule 68, the Parent Company 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