

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended Dec. 31, 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 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No []

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

Yes [x] No []

13. The aggregate market value of the voting stock held by non -affiliates of the registrant amounted to P 673,657,676 (based on closing market price on March 16, 2015 of ₱ 1.57 per share).

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

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

History and Background

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

1. Hemotek Renal Center, Inc. (Hemotek /the Subsidiary), a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center.
2. CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto. Previously , Euro-Med has a subsidiary entity, 102 E. Delos Santos Realty Co., Inc. (102 EDSA), a 100% owned firm acquired in May 2000 which is engaged in the rental of property. 102 EDSA'S only real property, a 10,936 square meter lot located at the corner of E. Delos Santos Ave. and Madison Street, Mandaluyong City is being rented to Euro-Med and expired on June 30, 2014. On May 9, 2012, Euro-Med entered into a Share Purchase Agreement and sold all its shares of stock in 102 E. De Los Santos Realty Co.Inc. to SM Development Corporation (SMDC) for a total selling price of P1.25 billion.A 50% downpayment of the total selling price, equivalent to P625.0 million, was received on May 9, 2012 and the remaining balance of P625.0 million will be paid at the end of the thirty-sixth (36th) month from the signing of the Agreement or any other date as the parties may agree in writing. Transfer of the shares to SMDC is expected to occur at the agreed closing date and turn-over of 102 EDSA's land devoid of any improvements thereon. Improvements on the land were demolished in October 2014 and the land was turn-over to SMDC on November, 2014.

The sale of all the shares of 102 EDSA to SMDC was authorized, approved and ratified by the stock holders during the annual shareholders' meeting held on June 20, 2012. The balance of P 625.0 million was collected on May 29, 2015.

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

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

Products

Presently, the company manufactures and distributes a wide range of parenteral products in various sizes ranging from 1mL to 1000mL. Parenteral products are considered unique because they are administered by injection through the skin or mucous membrane into internal body compartments. Parenteral products must be free from microbial contamination and toxic components, and an exceptionally high level of purity of the dosage form must be achieved. For this reason, the preparations of parenteral products have become a highly specialized area in pharmaceutical manufacturing.

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

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

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

Large Volume Parenterals

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

Small Volume Parenterals

SVP apply to injections that are packaged in containers labeled as containing less than 150 mL. Euro-Med presently markets products in 20mL, 25mL and 50mL multiple dose plastic vials and 1 mL, 2 mL, 2.5 mL, 3 mL, 4 mL, 10 mL, and 20 mL plastic ampoules. Euro-Med's container of plastic vials has a rubber stopper which permits the insertion of a needle from a hypodermic syringe and the withdrawal of part of the solution.

Specialty Fluids

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

Other Drug Preparation

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

Medical Devices

In April 2006, Hospira Philippines Inc. appointed Euro-Med as its exclusive distributor of Hospira Venisystem products such as Venipuncture sets, IV Administration sets, and IV Equipment in the Philippines. Hospira transitioned their Venisystem gravity sets to Lifeshield Non-DEHP gravity sets. The distribution agreement is valid until the end of March 2008 and is being renewed automatically for one (1) year period.

The Products that are now available in the market are:

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

Limulus Amebocyte Lysate (LAL) Test

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

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

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

Bottled Water

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

Toll Manufacturing

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

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

Effects of existing or probable governmental regulations on the business

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

Transactions with or/an dependence on related parties

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

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

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

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

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

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

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

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

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

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

Employees and labor contract

As of December 31, 2015, Euro-Med (Parent Company) employs a total of 731 employees, consisting of 13 Executive Officers, 82 Managerial and 636 rank and file and casual personnel. There has not been a strike in the company. In a Certification Election on November 4, 1999 held under the supervi-

sion of the Department of Labor and Employment (DOLE) – Region IV, Euro-Med Employees Union won and was subsequently certified on November 15, 1999 as the sole and exclusive bargaining agent of regular rank and file employees of Euro-Med Laboratories Phil., Inc. for purposes of collective bargaining. A collective bargaining agreement (CBA) was ratified on March 13, 2009 that would cover the period January 1, 2010 to December 31, 2014. A new CBA was ratified on March 2014 that would cover the period January 1, 2015 to December 31, 2019. Among others, the CBA provide for the following benefits:

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

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

1. Hemotek Renal Center, Inc., a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center. This subsidiary has a total of 327 employees as of December 31, 2015.
2. CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto. The subsidiary has a total of 390 employees as of December 31, 2015.

Raw Materials

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

Marketing and Distribution

Industry Data

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

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

Euro-Med is the leading manufacturer of LVP in the Philippines with about eighty percent (80%) market share in the country (based on Company data). Euro-Med competes with other companies such as Baxter Healthcare Phil., Inc., B. Braun Medical Supplies, Inc., LVP Philippines Inc. and Endure Medical Inc. Euro-Med competes in terms of quality, price, availability, delivery service and customer relations. Euro-Med's continued success in the IV Fluids market can be attributed to its high quality products, wide range of product line, competitive price, availability, efficient delivery and dedicated sales team. The Company has a customer base composed of more than 8,000 institutions nationwide. The Company's sales, therefore, are not dependent on one or a few major customers and no customer accounts for more than ten percent (10%) of the Company's sales. Among the Company's customers are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts. Euro-Med's primary customers are hospitals all over the country. Hospitals can be either private or government, sub-divided into primary, secondary and tertiary levels, depending on the bed capacity and hospital equipment. In 2015 sales to hospitals and clinics accounted for approximately 66% of total revenues. Sales to drugstores reached 15% while combined revenues from distributors, traders, industrial accounts and laboratories reached approximately 19% of total Company revenues.

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

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

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

Exports

Euro-Med is presently exporting its intravenous fluids to several countries and will be expanding its international customer base to include markets in other parts of the world. In 2013, 2014 and 2015, export sales contributed approximately 15%, 12% and 16% respectively of total Company sales. The Company expects this figure to rise in the succeeding years. The Company products are imported and distributed by a local distributor(s) in the respective countries. The breakdowns of exports per region for the past three (3) years are as follows:

REGION	2013		2014		2015	
	P (000)	%	P (000)	%	P (000)	%
ASEAN	308,440	69.3%	294,480	79.9%	239,619	74.3%
Other Asia	23,417	5.3%	14,632	4.0%	38,278	11.9%
Africa	65,073	14.6%	9,205	2.5%	0	0.0%
Others	47,934	10.8%	50,305	13.6%	44,427	13.8%
Total	444,864	100.0%	368,622	100.0%	322,324	100.0%

Research and Development

Euro-Med is continuously developing additional pharmaceutical products for ophthalmic, inhalation, irrigation and other health care purposes. In 2013, 2014 and 2015, the Research and Development Department of Euro-Med spent ₱ 19.2 million, ₱ 19.3 million and ₱ 14.1 million respectively to develop new products. The funds were used to purchase raw materials and laboratory equipment to test the new formulations.

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

Costs and effects of compliance with environmental laws.

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

Major business risks

- **Raw materials**

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

- **Product registration**

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

- **Foreign Exchange**

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

- **Medical Supplies**

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

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

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

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

The company accepts patients which are Philhealth members. These receivables are monitored per patient both in the head office and in branches so that all charges reimbursable from Philhealth are properly accounted. The Philhealth officer prepares transmittal form for submission to Philhealth. Checking of payments against transmittal form previously received by Philhealth and verification of Philhealth eligibility are being done in the head office to ensure that all charges to Philhealth are being collected by the Company.

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

Item 2 Properties

Cavite Plant

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

Bulacan Depot

Euro-Med acquired a 2,500 square meter commercial lot along the National Highway in Plaridel, Bulacan. A 1,900 square meter warehouse with a two-storey office building was constructed and

completed in July 1997. The land and building are wholly owned by the Company and are mortgaged as collateral for the Company's long term debt. There are no existing limitations on its ownership or usage.

Properties/Offices under lease

The Company leases the following properties:

(a) The Company's head office at the PPL Building, United Nations Avenue corner San Marcelino Street, Manila from U. S. Automotive Co., Inc., a majority stockholder of the company. The lease is for a one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent for the year 2015 amounted to ₱ 19,822,440.

(b) The Company's twelve (14) depots which are located strategically in key cities all over the country. The lease contracts are for a one (1) year period and are being renewed annually subject to mutual agreement of the parties. The rent for the year 2015 amounted to P 10.5 million

(c) The Company's warehouse located in Silang, Cavite. The lease contract is for 5 year period and is subject to renewal upon mutual agreement of the parties. The rent for the year 2015 amounted to P 30.4 million.

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

ITEM 3 Legal Proceedings

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

As of December 31, 2015, the Company had a total of forty-eight (48) pending cases, two (2) criminal cases against employees, forty-one (41) were filed by Euro-Med in various dates and courts in the Philippines against its customers for the collection of various amounts and/or bouncing checks, and a case filed by a former employee in the labor Relations Commission. The aggregate amount claimed for all cases and labor is approximately P 11.8 million which is less than 1% of the group's current assets. The remaining other cases are insolvency cases by clients where Euro-Med has pending accountabilities.

Item 4 Submission of Matters to a Vote of Security Holders

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

1.) Market Information

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

The high and low sales prices of the shares are:

		HIGH	LOW
2016			
1st Quarter	P	1.57	1.55
2015			
1 st Quarter	P	2.89 P	1.30
2nd Quarter		1.88	1.65
3rd Quarter		2.05	1.58
4th Quarter		1.77	1.66
2014			
1st Quarter	P	1.81 P	1.26
2nd Quarter		1.77	1.66
3rd Quarter		2.02	1.55
4th Quarter		1.75	1.06

The market price per share of Euro-Med is ₱ 1.57 on Mar. 16, 2016 (the latest practicable trading date before submission of the report).

2.) Holders

As of Mar. 16, 2016, the Company has on record a total of 543 stockholders with a total of 4.112 Billion issued and outstanding shares. The top twenty (20) stockholders are as follows:

	<u>Stockholder's Name</u>	<u>Total Shares</u>	<u>%</u>
1.	U. S. Automotive Co., Inc.	2,401,747,112	58.41%
2.	USAUTO, Inc.	855,505,147	20.80%
3.	Evergreen Stock Brokerage & Securities, Inc.	298,725,323	7.26%
4.	Philippine Trust Company	231,124,845	5.62%
5.	Philippine Trust Company (Trust Department)	133,986,446	3.26%
6.	Yap, Johnny C.	36,980,720	0.90%
7.	Yap, Emilio III C.	35,695,668	0.87%
8.	Yap, Nichol C.	35,695,668	0.87%
9.	Yap, Enrique Raymond I.	16,067,839	0.39%
10.	Yap, Michael Vincent Y.	15,257,017	0.37%
11.	Yap Jr., Enrique Y.	15,000,000	0.36%
12.	PCD Nominee Corp. (FIL)	10,338,028	0.25%
13.	Ilusorio, Roberto Havel K.	5,000,000	0.12%
14.	Ilusorio, Carlo Daniel K.	5,000,000	0.12%
15.	Maramba, Tomas P.	1,285,052	0.03%
16.	Evidente, Georgiana S.	1,285,052	0.03%
17.	Cohu, Marshall Cohu ITF: Marc C. Allan	822,430	0.02%
18.	Cohu, Marshall Cohu ITF: Dianne Bernice C.	616,823	0.02%
19.	Cohu, Marshall Cohu ITF: Danica Marie C.	616,823	0.02%
20.	Goldclass Inc.	586,617	0.01%

3.) Dividends

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

YEAR	Kind	Amount	Rate	Record Date
2013	Cash	205.6 Million	5.00%	June 20, 2013
2014	Cash	205.6 Million	5.00%	June 19, 2014
2015	Cash	205.6 Million	5.00%	June 10, 2015

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

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

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

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

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

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

Calendar Year 2015 Compared to Calendar Year 2014

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

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

1.) The Company's net sales decreased by 5.1 % from ₱ 4,703.6 million in 2014 to ₱ 4,462.3 million in 2015. The domestic sales decreased by 4.5% from ₱ 4,334.9 million in 2014 to ₱ 4,140.0 million in 2015, while Export sales decreased by 12.5% from ₱ 368.6 million in 2014 to ₱ 322.3 million in 2015. The decrease in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 1.4% from ₱ 1,407.8 million for the year 2014 to ₱ 1,427.7 million for the year 2015. Cost of sales and service decreased by 7.9% from ₱ 3,295.8 million in 2014 to ₱ 3,034.6 million in 2015. However, as a percentage of net sales, Cost of sales and service decreased from 70.1% in 2014 to 68.0% in 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 after administrative, selling and distribution expenses) increased by 1.3% from ₱ 461.8 million for the year 2014 to ₱ 467.6 million for the year 2015. Operating expenses (administrative, selling and distribution) increased by 1.5% from ₱ 946.0 million in 2014 to ₱ 960.1 million in 2015. The increase was due to the increased operating expenses i.e. marketing development expense, transportation and travelling, rentals, and electricity. As a percentage of net

sales, operating expenses increased from 20.1% in 2014 to 21.5% in 2015. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling and distribution expenses. The percentage change in income from operations is calculated by dividing the peso increase in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance cost/income (finance income, finance costs and other income) decreased by 20.3% from ₱ (161.7 million) in 2014 to ₱ (128.8 million) in 2015. Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax increased by 13.5% from ₱ 92.8 million in 2014 to ₱ 105.4 million in 2015. The total comprehensive income increased by 5.6% from ₱ 207.2 million in 2014 to ₱ 218.9 million in 2015. Changes in total comprehensive income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in total comprehensive income is calculated by dividing the peso increase in total comprehensive income by the peso total comprehensive income during the comparable period of previous year.

The Company's total assets decreased by 5% from ₱ 9,584.2 million in 2014 to ₱ 9,108.5 million in 2015. Current ratio decreased by 7% from 1.49:1 in 2014 to 1.38:1 in 2015. Debt ratio decreased by 6% from 0.48:1 in 2014 to 0.46:1 in 2015, while the equity ratio increased by 5% from 0.52:1 in 2014 to 0.54:1 in 2015.

The increase in cash was due to good collection for the last quarter of the year. The decrease in trade and other receivable was due to the collection of the 50% balance for the sale of Mandaluyong plant to SMDC. The decrease in inventories was due to the transfer of Mandaluyong plant to Cavite plant, the license of which is now under process for approval by FDA, and termination of distribution agreement with some principals. The increase in other current assets was due to the advances to subsidiary. The increase in deferred tax assets and retirement benefit obligation were due to the availment of retirement expense per PAS #19 (revised 2013). The increase in other non-current assets was due to increase in prepaid marketing expense. The increase in acceptances payable/trust receipts was due to the availment of trust receipts on letters of credit for the importation of raw materials and local distributed products. The increase in income tax payable was due to lower creditable withholding tax claimed for year 2015. The decrease in total Notes Payable was due to the payments made on loans. The increase in other current liabilities was due to the increase in agency payable. The decrease in other-noncurrent liabilities was due to the decrease in deferred output VAT payable. The increase in retained earnings was due to the net income for year 2015, net of dividends payments. The increase in accumulated actuarial losses on defined benefit plan was due to availment of retirement expense per PAS#19 (revised 2013).

Projection

The Company expects to increase its sales in 2016 by about 12% primarily due to the expected increase in Export sales and increase in sales of CafeFrance Corp. and Hemotek Renal Center, Inc. The parent company is continuously expanding its present product lines to include specialty products for inhalation, ophthalmic, irrigation and other health care purposes. Likewise, it expects to open new export markets in other countries and increases the number of products being exported. The subsidiaries are continuously opening-up new branches throughout the country. The expected net income for 2016 is about P266 million, which is about 5% to 6% of sales.

Calendar Year 2014 Compared to Calendar Year 2013

The Company's operations have no seasonal aspects that had a material effect on the financial condition or results of operations. The Company operates regularly for twelve (12) months during the year and does its maintenance jobs during Sundays and holiday break. There are no known trends, demands, material commitments for capital expenditures, events, or uncertainties that will have a ma-

terial impact on the Company's liquidity or have a material favorable or unfavorable impact on net sales/revenue/ income from continuing operations. There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

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

1.) The Company's net sales increased by 3.0 % from ₱ 4,566.9 million in 2013 to ₱ 4,703.6 million in 2014. The domestic sales increased by 5.1% from ₱ 4,122.1 million in 2013 to ₱ 4,334.9 million in 2014, while Export sales decreased by 17.1% from ₱ 444.9 million in 2013 to ₱ 368.6 million in 2014. The increase in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 4.6% from ₱ 1,345.1 million for the year 2013 to ₱ 1,407.8 million for the year 2014. Cost of sales and service increased by 2.3% from ₱ 3,221.8 million in 2013 to ₱ 3,295.8 million in 2014 due to increase in cost ratios of subsidiaries on their newly opened branches. As a percentage of net sales, Cost of sales and service decreased from 70.55% in 2013 to 70.07% in 2014. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase in gross profit by the peso gross profit during the comparable period of previous year

3.) Income from operations (income after administrative, selling and distribution expenses) increased by 9.13% from ₱ 423.1 million for the year 2013 to ₱ 461.8 million for the year 2014. Operating expenses (administrative, selling and distribution) increased by 2.6% from ₱ 921.9 million in 2013 to ₱ 946.0 million in 2014. The increase was due to the increased operating expenses i.e. marketing development expense, commissions, transportation and travelling, rentals, electricity and taxes mostly attributable to the subsidiaries. As a percentage of net sales, operating expenses increased from 20.19% in 2013 to 20.11% in 2014. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling and distribution expenses. The percentage change in income from operations is calculated by dividing the peso increase in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance cost/income (finance income, finance costs and other income) increased by 7.32% from ₱ (150.7 million) in 2013 to ₱ (161.7 million) in 2014. Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase of net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax increased by 10.90% from ₱ 83.7 million in 2013 to ₱ 92.8 million in 2014. The net income increased by 10.08% from ₱ 188.2 million in 2013 to ₱ 207.2 million in 2014. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in net income is calculated by dividing the peso increase in net income by the peso net income during the comparable period of previous year.

The Company's total assets increased by 2.64% from ₱ 9,337.4 million in 2013 to ₱ 9,584.2 million in 2014. Current ratio increased by 28.11% from 1.16:1 in 2013 to 1.49:1 in 2014. Debt ratio increased by 2.88% from 0.47:1 in 2013 to 0.48.1 in 2014, while the equity ratio decreased by 2.56% from 0.53:1 in 2013 to 0.52:1 in 2014.

The increase in cash and cash equivalents was due to loan availments for additional working capital. The increase in trade and other receivable was due to a relatively longer time for customers to settle their accounts. The decrease in inventories was due to the pending production of glass line due to the transfer to Mandaluyong plant to Cavite plant. The decrease in other non-current assets was due to

the decrease in receivable from SMDC for the 50% balance for the sale of 102 EDSA shares which was reclassified to current assets since, this is due for collection on May 2015. The decrease in deferred tax assets was due to the availment of retirement expense per PAS #19 (revised 2013). The decrease in acceptances payable/trade receipts was due to the payments made of trust receipts on letters of credit for the importation of raw materials and local distributed products. The increase in income tax payable was due to lower creditable withholding tax claimed for year end of 2014. The increase in total Notes Payable was due to the new availments of loans. The decrease in other current liabilities was due to the decrease in agency payable. The increase in other-noncurrent liabilities was due to the deferred output VAT payable.

Projection

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

Calendar Year 2013 Compared to Calendar Year 2012

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

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

- 1.) The Company's net sales increased by 1.51 % from ₱ 4,498.9 million in 2012 to ₱ 4,566.9 million in 2013. The domestic sales increased by 3.1% from ₱ 3,996.2 million in 2012 to ₱ 4,122.1 million in 2013, while Export sales decreased by 11.5% from ₱ 502.8 million in 2012 to ₱ 444.9 million in 2013. The increase in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase in sales by the peso sales during the comparable period of previous year.
- 2.) The gross profit on sales increased by 0.19% from ₱ 1,342.6 million for the year 2012 to ₱ 1,345.1 million for the year 2013. Cost of sales and service increased by 2.07% from ₱ 3,156.4 million in 2012 to ₱ 3,221.8 million in 2013 due to increase in cost ratios of subsidiaries on their newly opened branches. As a percentage of net sales, Cost of sales and service increased from 70.16% in 2012 to 70.55% in 2013. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase in gross profit by the peso gross profit during the comparable period of previous year
- 3.) Income from operations (income after administrative, selling and distribution expenses) decreased by 8.47% from ₱ 462.3 million for the year 2012 to ₱ 423.1 million for the year 2013. Operating expenses (administrative, selling and distribution) increased by 4.73% from ₱ 880.3 million in 2012 to ₱ 921.9 million in 2013. The increase was due to the increased operating expenses i.e. marketing development expense, commissions, transportation and travelling, rentals, electricity and taxes mostly attributable to the subsidiaries. As a percentage of net sales, operating expenses increased from 19.57% in 2012 to 20.19% in 2013. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling and distribution expenses. The percentage change in income from operations is calculated by dividing the peso increase in operating income by the peso operating income during

the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance cost/income (finance income, finance costs and other income) decreased by 152.43% from ₱ 287.5 million in 2012 to ₱ (150.7 million) in 2013 since the Company realized in 2012 a net gain on disposal of investment in Subsidiary (102 EDSA Realty Co., Inc.). Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase of net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax decreased by 5.09% from ₱ 88.1 million in 2012 to ₱ 83.7 million in 2013. The provision for income tax excludes the final capital gains tax of ₱ 95.8 million on the sale of investment in subsidiary. The net income decreased by 71.48% from ₱ 661.6 million in 2012 to ₱ 188.7 million in 2013 due to net capital gain on disposal of investment in subsidiary in 2012. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in net income is calculated by dividing the peso increase in net income by the peso net income during the comparable period of previous year.

The Company's total assets increased by 3.53% from ₱ 9,024.0 million in 2012 to ₱ 9,342.7 million in 2013. Current ratio decreased by 8.12% from 1.28:1 in 2012 to 1.17:1 in 2013. Debt ratio increased by 4.56% from 0.45:1 in 2012 to 0.47:1 in 2013, while the equity ratio decreased by 3.6% from 0.55:1 in 2011 to 0.53:1 in 2013.

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

Projection

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

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

Liquidity and Capital Resources

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

Capital expenditures for the years 2013, 2014 and 2015 were ₱ 378.2 million, ₱ 268.6 million and P 249.3 million respectively. These capital expenditures related primarily to the expansion programs of the Company for land, buildings, machinery and equipment.

Working capital and capital expenditures for the years 2013, 2014 and 2015 were financed through internally generated funds, and short term and long-term borrowings from various commercial banks.

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

Plans of the Company

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

Item 7 Financial Statements

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

Exhibit II - Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2013, 2014 and 2015.

Item 8 Information on Independent Accountant and other Related Matters

1.) External Audit fees and Services

a.) Audit and Audit Related Fees

The aggregate fees billed by the Company's external auditors for the years 2015 and 2014 amounted to P 350,000 and P255,761 respectively. These amounts cover the cost of the regular audit of the Company's annual financial statements in connection with statutory and regulatory filings for those covered years. These fees also include consultation on minor accounting matters and minor tax matters, such as queries on new BIR regulations, computation of VAT, etc. Any work that will involve our external auditors to represent the company on cases with the Bureau of Internal Revenue and other regulatory bodies are considered major accounting and tax matters which shall be billed commensurate with the number of hours spent by the auditors working on such consultation.

b.) Tax fees – None

c.) All other fees – None

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

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

The Company's financial statements for the years 2011, 2012 and 2013 were audited by MCJ & Co., CPA's, the audit firm appointed by the stockholders in its meeting held on June 20, 2012, June 19, 2013 and June 19, 2014.

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

For the current year 2015, the appointment of external auditors of Teodoro Santamaria Canlas & Co., CPA's was approved by the shareholders' at the last Annual Stockholders meeting held on 17 June 2015 as per Board Resolution No. 15-05-001, which resolution was unanimously adopted by the Board in its meeting held on 26 May 2015.

o.)

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Issuer

Each of the directors and officers serve a term of one (1) year until the election and qualification of their successors. Following are the Company's board of directors as of December 31, 2015.

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Term (Yrs.)</u>
Dr. Tomas P. Maramba, Jr. *	84	Filipino	Honorary Chairman Emeritus	21
Dr. William G. Padolina *	69	Filipino	Chairman of the Board	16
Mr. Edwin Feist *	68	Australian	Independent Director	5
Mrs. Georgiana S. Evidente	55	Filipino	Director	20
Dr. Evangeline V. Baviera	61	Filipino	Director	19
Mr. Johnny C. Yap	43	Filipino	Directortor/Vice Chairman	21
Dr. Teodora D. Tan	79	Filipino	Director	24
Mr. Basilio C. Yap	66	Filipino	Director/Vice Chairman	2
Mr. Emilio C. Yap III	44	Filipino	Director	2
Atty. Francis Gaw	68	Filipino	Director	2

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

The following are the Company's key executive officers as of December 31, 2015:

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Term (yrs.)</u>
Mrs. Georgiana S. Evidente	55	Filipino	President	22
Dr. Evangeline V. Baviera	61	Filipino	Executive Vice President	19
Mr. Johnny C. Yap	43	Filipino	Vice Chairman EVP/Treasurer and	21

Dr. Teodora D. Tan	79	Filipino	Assistant Corporate Secretary	25
Janice R. Ong	45	Filipino	Assistant Treasurer Corporate Secretary	9

- The company has created the following Board Committees:

a.) Audit Committee:

* Current membership are:

- a.1) Dr. William G. Padolina – Independent Director (Chairman)
- a.2) Edwin D. Feist - Independent Director
- a.3) Dr. Teodora D. Tan - Director
- a.4) Dr. Evangeline V. Baviera - Director
- a.5) Dr. Johnny C. Yap - Director

b.) Nomination Committee:

* Current membership are:

- b.1) Dr. Johnny C. Yap – Director (Chairman)
- b.2) Dr. William G. Padolina – Independent Director
- b.3) Mrs. Georgiana S. Evidente – Director

- The company has not yet created Corporate Governance Committee.

DR. TOMAS P. MARAMBA, JR.

Age: 84

Dr. Tomas P. Maramba, Jr. is a Filipino, married and graduated from the College of Medicine, University of the Philippines, with the degree of Doctor of Medicine in 1956. In 1975, he completed his Master's Degree in Hospital Administration from the Institute of Public Health of the same university. He took postgraduate training at the Philippine General Hospital in Manila; D.C. General Hospital in Washington D.C.; University of Kansas Medical Center in Kansas City, Kansas; and the Medical College of Georgia in Augusta, Georgia. The American Board of Pathology and the Philippine Board of Pathology have certified him, both in Anatomic Pathology and Clinical Pathology. Dr. Maramba has extensive experience in the field of Medicine in the specialties of Anatomic Pathology and Laboratory Medicine, Public Health, Regulation of Health Services, Hospital Administration and Quality Management in Hospitals and Clinical Laboratories. He was formerly Head of the Departments of Pathology of Rizal Provincial Hospital, Lungsod ng Kabataan and Lung Center of the Philippines. He established and headed the Rizal Cancer Registry and reorganized and headed the Philippine Cancer Society Tumor Registry. In the government, he served as Director of the Bureau of Research and Laboratories, Undersecretary for the Office of Standards and Regulation, Acting Chairman of the Dangerous Drugs Board, Vice-Chairman of the Philippine Council for Health Research and Development, and Program Manager of the National Blood Services Program of the Department of Health. He is a former President of the Philippine Society of Pathologists, Philippine Blood Coordinating Council, Philippine Society of Oncology, Philippine Society for Quality in Health Care, Philippine Council for Accreditation of Healthcare Organizations, Asian Network for Clinical Laboratory Standardization and Harmonization and Philippine Council for Quality Assurance in Clinical Laboratories. He is a former member of the Board of Governors, Philippine National Red Cross and former Associate Professor and Professorial Lecturer at the Department of Health Policy and Administration, College of Public Health, University of the Philippines, Manila, former Chairman of the Department of Pathology and former Head of the Quality Management Department at the Dr. Victor R. Potenciano Medical Center. He is currently President Emeritus of the Philippine Society for Quality in Health Care and Immediate Past President of the Philippine Council for Accreditation of Healthcare Organizations. In the Department of Health, he is Chair of the Technical Working Group for the Strategic Plan for the National Health Laboratory Network and Chair of the Committee on Quality Assurance for Laboratory Services. He is the Vice-Chairman of the Department of Pathology at the Dr. Victor R. Potenciano Medical Center and Associate Pathologist and Head of the Blood Bank Section of the United Doctors Medical Center. On 12 May 2010, Dr. Tomas P. Maramba, Jr., retired as Chairman of the Board of Euro-Med Laboratories Phil., Inc. and was thereupon appointed as Honorary Chairman Emeritus.

DR. WILLIAM G. PADOLINA
Chairman of the Board

Age: 69

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

MRS. GEORGIANA S. EVIDENTE **Age: 55**
Director and President

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

DR. EVANGELINE V. BAVIERA **Age: 61**
Director and Executive Vice President

Dr. Evangeline V. Baviera, a married Filipino, graduated in 1976 from the University of the Philippines with the degree of Bachelor of Science in Pre-Medicine. She completed her course in Medicine at the University of the East Ramon Magsaysay Memorial Medical Center in 1980. After graduation, she took her specialization in Pediatrics in the hospital of the same university. In 1986, she became a faculty member of the Department of Pharmacology. She served as a consultant to the Bureau of Food and Drugs from 1988 to 1990. She was the Chairman of the Department of Pharmacology, De La Salle University Health Science Campus in Dasmariñas, Cavite from 1990 to 1992. In 1990, she joined Euro-Med as a Medical Consultant and subsequently became the Medical Director. She was promoted to Vice President in 1992 and Senior Vice President in 1997. She became a Director in 1996. Dr. Baviera is the head of all plant operations. She was promoted to Executive Vice President in 2004.

MR. JOHNNY C. YAP **Age: 43**
Vice Chairman, Director, Executive Vice President, Treasurer and Assistant Corporate Secretary

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

DR. TEODORA D. TAN **Age: 79**
Director and Assistant Treasurer

Dr. Teodora D. Tan, a Filipino, graduated from the Manila Central University with a Bachelor's Degree in Liberal Arts. Subsequently, she obtained her degree of Doctor of Medicine from the same

university and passed the Board Examination for Medicine in 1959. Since then, she has been a general practitioner and joined Euro-Med in 1990 as a Director. Currently, she also holds the position of Assistant Treasurer.

MRS. JANICE R. ONG **Age: 45**
Corporate Secretary

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

MR. EDWIN D. FEIST **Age: 67**
Independent Director

Mr. Edwin D. Feist, a married Australian, has over 42 years international experience in the health care industry working in 3 continents: North America, Asia, Australia and New Zealand. Starting out as a sales representative, Mr. Feist progressed to senior executive positions responsible for international markets with Bristol Myers Squibb-Mead Johnson and Abbott Laboratories. He joined Abbott in November 1994 as President and General Manager of Abbott Philippines and is credited with growing and transforming Abbott's business in the Philippines from a predominantly hospital focused business to a diversified business with pediatric and medical nutrition in the Philippines, Australia, New Zealand and other Asian countries. Prior to Abbott, Mr. Feist held several executive management positions with Bristol Myers-Squibb-Mead Johnson, including: Division Manager Pharmaceutical-Nutrition Division, Australia, Vice President Marketing, Bristol Myers Philippines; President and General Manager, Mead Johnson Philippines; Vice President Business Development, Mead Johnson Latin America. As an industry leader, Mr. Feist was President of the Pharmaceutical and Health Care Association of the Philippines (PHAP) for eight consecutive years and also a three-year director of the American Chamber of Commerce in the Philippines. He is currently the President of the American Chamber Foundation of the Philippines. On 17 May 2010, he was appointed as Vice Chairman of Euro-Med Laboratories Phil., Inc.

MR. BASILIO C. YAP **Age: 66**
Director

Mr. Basilio C. Yap, Filipino, graduated from De La Salle University with the degree of BS in Commerce major in Accounting cum laude in 1972 and Asian Institute of Management with the degree of Masters in Business Management in 1977. He is also a CPA. He has held the position of Assistant Vice President in Bank of America up to 1985. He is currently holding various positions including Chairman, President and Director of U S Automotive Co Inc., Usautoco Inc, Philtrust Realty Corporation, Manila Prince Hotel, Cocusphil Development Corporation, U. N. Properties Development Corporation and Seebreeze Enterprises, Inc; Vice Chairman and Director of Philtrust Bank; and Director of Manila Hotel Corporation. Mr. Yap was elected as Director of Euro-Med on its last Shareholders' meeting , 18 June 2014.

MR. EMILIO C. YAP, III **Age: 44**
Director

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

Holdings, Inc., a Director and Vice President of U.S. Automotive Co., Inc., Director and Asst. Treasurer and Asst. Corporate Secretary of Usautoco Inc., Director and Vice President of Philtrust Realty Corporation. Dr. Yap was elected as Director of Euro-Med on its last Shareholders' meeting, 18 June 2014

Atty. Francis Y. Gaw **Age: 68**
Director

Atty. Francis Y. Gaw, Filipino, graduated from University of Sto. Tomas with the degree of BS in Commerce major in Accounting in 1967, CPA certified in same year and Ateneo de Manila with the degree of Bachelor of Laws salutatorian in 1972, placed 5th in the bar exam. He had his MBA (with thesis) at International Academy of Management and Economics in 2009 and Ph.D. (with dissertation) in 2011. Atty. Gaw was a former Director of Philippine Bank of Communications and Filipinas Manufacturers' Bank. Currently holding various positions including Chairman and President of Goldclass Inc., and Royal Bay Terrace Condominium Association Inc.; Director of Manila Hotel Corp., U.N. Properties Development Co., Inc. and Orient Enterprises Inc. He is the principal/solo practitioner of Gaw Law Office. Atty. Gaw was elected as Director of Euro-Med on its last Shareholders meeting, 18 June 2014.

Family Relationship

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

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

Significant Employee

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

Involvement of Directors and Officers in Certain Legal Proceedings

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

Item 10 Executive Compensation

a.) Summary Compensation Table

Annual Compensation.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
Georgiana S. Evidente <i>President</i>)			
Johnny C. Yap <i>Executive Vice President</i>) 2013	7,360,320	1,916,750	973,360
<i>Vice Chairman/Treasury</i>	2014	7,376,700	2,021,605	974,725
Evangeline V. Baviera <i>Executive Vice President</i>) 2015	8,387,973	2,259,378	1,327,119
Jose A. Emiterio <i>Executive Vice President</i>)			
Sandra N. Pineda)			

Chief Accountant)

) 2013 15,353,040 3,918,050 2,719,420

All Officers and Directors as a group unnamed

2014 15,388,140 4,024,465 3,022,345
 2015 14,472,573 3,713,567 3,392,331

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

b.) Compensation of Directors

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

Item 11

Security Ownership of Certain Beneficial Owners and Management

1) Security Ownership of Certain Record and Beneficial Owners

As of March 16, 2016 (the latest practicable date prior to the printing of this document), the following shareholders are the sole owners of record owning more than five percent (5%) of the outstanding shares of the common stock in the capital of the Company:

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

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

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

2) Security Ownership of Management

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

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

Item 12 Certain Relationships and Related Transactions

- In the normal course of business, transactions with related parties consist mainly of the following:
 - a) The Company is leasing its office at PPL Building, United Nations Avenue corner San Marcelino Street, Manila from US Automotive Co., Inc., a majority stockholder of the Company. The lease is for one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent charged by management is based on the lease rates charged to the other tenants in the building and in the vicinity. The rent for the period January to December 2015 and 2014 amounted to P 19,822,440 and P19,822,440 respectively. No outstanding payable as of December 31, 2015. There are no other ongoing contractual or other commitments as a result of the arrangement.
 - b) The Company purchased labels from Philippine Label Pack Corp., a corporation wherein some major stockholders are family members of one (1) of the Company's directors/executive officers. These transactions are made substantially on the same terms and conditions as transactions with other suppliers of the Company. The purchase price depends on the competitiveness of prices submitted/quoted by various suppliers. Purchases for the period January to December, 2015 and 2014 amounted to P7.4 million and P10.9 million respectively. No outstanding payable as of December 31, 2015. There are no ongoing contractual or other commitments as a result of the arrangement.
 - c) The Company has advances to its 100% subsidiary, Hemotek Renal Center, Inc. amounting to P30.7 million in 2015 and in 2014 and to its 100% subsidiary CafeFrance Corp. amounting to P 493.5 million in 2015 and P449.5 million in 2014. Sales to Hemotek Renal Center, Inc. amounted to P37.6 million for the year 2015 and P43.1 million for the year 2014, and accounts receivable of P182.6 million in 2015 and P136.4 million in 2014. The sales prices charged to Hemotek are competitive as those charge to other regular customers. There are no ongoing contractual or other commitments as a result of the arrangement.
 - d) The Company engages in regular bank transactions with Philtrust Bank, an affiliated local commercial bank. Transactions are for deposits and withdrawals requirements of the company. Deposit balances as of December 31, 2015 and 2014 amounted to P332.7 million and P125.1

million respectively. There are no ongoing contractual or other commitments as a result of the arrangement.

e) The Company avails of advertising services of Manila Bulletin Publishing Corp., an affiliate under common control. Advertising rates charged are the same as charged to other regular customers. Total services purchased for January to December 2015 and 2014 amounted to P7.6 million and P 10.5 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement

f) The Company avails of hotel services of Manila Hotel, an affiliate under common control. Hotel charges are the same as charged to other regular customers. Total services purchased for January to December 31, 2015 and 2014 amounted to P 1.05 million and P 0.301 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement

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

Item 13 Annual Corporate Governance Report (ACGR)

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

Item 14 Minimum Public Ownership (MPO)

As of March 16, 2016 (the latest practicable date prior to issuance of this annual report) the level of the Company's public float is 12.6%.

PART V – EXHIBITS AND SCHEDULES

Item 15 Exhibits and Reports on SEC Form 17-C

a.) Exhibits

- I** Statement of Management’s Responsibility for Financial Statements
- II** Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2013, 2014 and 2015.

b.) Material Contracts

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

c.) Reports on SEC Form 17-C

Jan. 05, 2016	Attendance of the Board of Directors of Euro-Med Laboratories Phil., Inc. for the year 2015.
Jan. 05, 2016	Consolidated Changes in the Annual Corporate Governance Scorecard for year 2015. Changes in Members of Audit Committee. Designation Changes of Corporate Officers for Year 2015-2016, Teodoro Santa-maria Canlas & co., CPA’s. Appointment of New External Auditor for year 2015-2016.
March 25, 2015	Termination of External Auditor Mercado Calderon & Jaravata & co., CPA’s.
March 25, 2015	Appointment of new External Auditor for year 2014-2015, Mangay-Ayam, Lim & Co., CPA’s.
March 25, 2015	Annual Meeting of shareholders and Record Date
April 14, 2015	Nominees for Election as Members of the board of Directos 2015-2016
May 27, 2015	Approval and authorization for Issuance of the 2014 Audited Financial Statements Declaration of Cash Dividend

May 27, 2015
July 29, 2015
Oct. 19, 2015

Appointment of New External Auditor
Retirement of an Officer
Corporate Governance Training/Seminar

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

<u>Date Filed</u>	<u>Period Covered</u>
May 15, 2015	Quarter ended March 31, 2015
Aug 14, 2015	Quarter ended June 30, 2015
Nov 14, 2015	Quarter ended September 30, 2015

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on _____, 2016.

EURO-MED LABORATORIES PHIL., INC.


By:



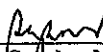
Georgiana S. Evidente
 President/Director



Johnny C. Yap
 Treasurer/Director



Jose A. Emiterio
 Senior Vice President



Sandra N. Pineda
 Chief Accountant



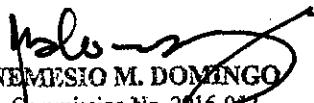
Janice R. Ong
 Corporate Secretary

11 APR 2016

SUBSCRIBED AND SWORN to before me this _____th day of _____ 2016 at the City of Makati, affiants exhibiting to me their Passport number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Georgiana S. Evidente	EB4155571	Nov 25, 2011	DFA, Manila
Johnny C. Yap	EB6364635	Sept. 18, 2012	DFA, Manila
Jose A. Emiterio	SSS 03-22751846	Year 2007	SSS Manila
Sandra N. Pineda	ECO412347	Feb 25, 2014	DFA, NCR West
Janice R. Ong	EC6341484	Jan. 07, 2016	DFA, NCR West

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 Page No. 66
 Book No. I
 Series of 2016


NEMESIO M. DOMINGO
 Commission No. 2016-032
 Notary Public for the City of Manila
 Until December 31, 2017
 1000 U.N. Ave., Cor. San Marcelino St., Manila
 MCLE Compliance No. IV-0013432
 Roll No. 43903 / 05-07-99
 PTR No. 4937657; 01/05/16; Manila
 IBP No. 03932 / Isabela
 TIN 109-213-922



Euro-Med Laboratories Phil., Inc.

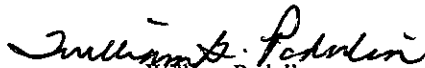
STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

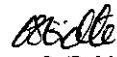
The Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City

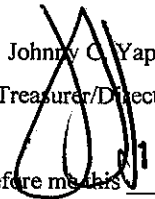
The management of Euro-Med Laboratories Phil., Inc. (the 'Company') is responsible for the preparation and fair presentation of the parent company financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal control relevant to the preparation and fair presentation of the parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting estimates that are reasonable in the circumstances.

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

Teodora Santamaria Canlas and Co. and Mangay – ayam, Lim & Co. , the independent auditors appointed by the stockholders for the period December 31, 2015 and 2014, respectively, have examined the parent company financial statements in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.


William Padolina
Chairman of the Board



Georgiana S. Evidente
President / Director


Johnny C. Yap
Treasurer/Director

SUBSCRIBED AND SWORN to before me this 11 day of APR 2016 at the City of Makati, affiants exhibiting to me their Passport Number, as follows:

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

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Book No. I
Series of 2016


NEMESIO M. DOMINGO
Commission No. 2016-052
Notary Public for the City of Manila
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MCLE Compliance No. IV-0013432
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PTR No. 4937657; 01/05/16; Manila
IBP No. 03932 / Isabela
TIN 109-213-922



TEODORO SANTAMARIA CANLAS & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
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1226 Makati City, Philippines
Tels.: (632) 869-4309
(632) 856-3649
Tel/Fax No.: (632) 812-4202

Member:



PrimeGlobal

*An Association of
Independent Accounting Firms*

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro-Med Laboratories Phil., Inc. and Subsidiaries as at December 31, 2015, and their financial performance and their cash flows for year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

We did not audit the financial statements of all the subsidiaries whose financial statements reflect assets of P2,158.4 million as at December 31, 2015 and total revenues of P1,481.3 million million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include share of net profit of P12.7 million for the year ended December 31, 2015 as considered in the consolidated financial statements, in respect of all the subsidiaries, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it related to the amounts and disclosures included in respect of these subsidiaries, is based on the reports of the other auditors. Our opinion is not qualified in respect of these matters.

The consolidated financial statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as at December 31, 2014 and for the year ended December 31, 2014 and 2013, which were presented for comparative purposes, were audited by other auditors whose report dated April 14, 2015, expressed an unqualified opinion on those statements.

TEODORO SANTAMARIA CANLAS & CO.



NOEL ANTONIO E. CANLAS
Partner signing for the firm

CPA License No. 090005

Valid until January 1, 2019

BOA/PRC Accreditation No. 5593

Valid until December 31, 2016

BIR A. N. 08-003408-3-2016

Valid until March 31, 2019

SEC Accreditation No. 1060-AR-I (Individual)

Valid until February 5, 2017

SEC Accreditation No. 0308-F (Firm)

Valid until February 15, 2018

T.I.N. 131-519-275

P.T.R. No. 5339446

February 13, 2016/Makati City

Makati City, Philippines

April 12, 2016

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(With Comparative Figures for 2014)
(In Philippine Peso)

	Notes	December 31	
		2015	2014
ASSETS			
Current			
Cash	7,20,32	P 1,280,976,999	P 1,100,802,128
Receivables	5,8,32	1,821,372,329	2,377,065,633
Inventories	5,9	1,160,247,378	1,361,683,328
Other current assets	10,13,20,32	379,105,525	306,032,428
		4,641,702,231	5,145,583,517
Non-current			
Property, plant and equipment	5,11,16	3,715,132,801	3,708,582,205
Intangible assets	5,12	224,545,294	224,725,548
Deferred tax assets	5,28	49,570,772	42,612,450
Other non-current assets	10,13,20,32	494,261,594	462,678,910
		4,483,510,461	4,438,599,113
TOTAL ASSETS		P 9,125,212,692	P 9,584,182,630
LIABILITIES AND EQUITY			
Current			
Trade payables	14,32	P 524,743,583	P 530,063,659
Trust receipts payable	15,32	137,914,838	125,856,665
Notes payable	16,11,26,32	2,166,856,333	2,308,600,000
Current portion of long-term loans	16,11,26,32	389,425,333	389,425,333
Income tax payable		55,783,657	45,767,344
Other current liabilities	17	76,421,891	54,498,921
		3,351,145,635	3,454,211,922
Non-current			
Long-term loans-net of current portion	16,11,26,32	695,935,334	1,085,360,667
Retirement benefit obligation	5,21,32	120,606,972	96,526,196
Other non-current liabilities	18	2,148,357	3,585,660
		818,690,663	1,185,472,523
Equity			
Capital stock	19	4,112,140,540	4,112,140,540
Additional paid-in capital	19	66,609,227	66,609,227
Retained earnings	19	811,406,919	785,957,863
Accumulated actuarial losses on defined benefit plan	28	(34,780,292)	(20,209,445)
		4,955,376,394	4,944,498,185
TOTAL LIABILITIES AND EQUITY		P 9,125,212,692	P 9,584,182,630

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(With Comparative Figures for 2014 and 2013)
(In Philippine Peso)

	Notes	Years Ended December 31		
		2015	2014	2013
REVENUES	22	P 4,462,355,491	P 4,703,582,459	P 4,566,888,124
COST OF GOODS SOLD AND MANUFACTURED	23	3,034,587,823	3,295,804,793	3,221,801,357
GROSS PROFIT		1,427,767,668	1,407,777,666	1,345,086,767
OPERATING EXPENSES				
Administrative and selling expenses	24	694,758,633	668,136,755	676,774,966
Distribution expenses	25	267,809,961	277,868,547	245,167,355
		962,568,594	946,005,302	921,942,321
OPERATING INCOME		465,199,074	461,772,364	423,144,446
OTHER INCOME (CHARGES)				
Interest expense	26	(167,967,073)	(188,956,018)	(182,412,278)
Foreign exchange gain		10,506,871	3,595,391	8,280,501
Interest income	5,20	16,766,462	11,516,001	9,659,185
Miscellaneous	27	11,863,826	12,086,014	13,748,744
		(128,829,914)	(161,758,612)	(150,723,848)
INCOME BEFORE INCOME TAX		336,369,160	300,013,752	272,420,598
PROVISION FOR INCOME TAX	28	105,356,274	92,823,926	83,699,399
NET INCOME		231,012,886	207,189,826	188,721,199
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit and loss				
Remeasurement losses on defined benefit plan	21	(20,732,073)	-	(724,034)
Income tax effect	28	6,219,622	-	217,210
		(14,512,451)	-	(506,824)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY*		P 216,500,435	P 207,189,826	P 188,214,375
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	31	P 0.06	P 0.05	P 0.05

See Notes to Consolidated Financial Statements.

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(With Comparative Figures for 2014 and 2013)

(In Philippine Peso)

	For the Year Ended December 31, 2015				Total	
	Notes	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 3,19)		Accumulated Actuarial losses on Retirement Benefit Plan (Note 28)
As at January 1, 2015, as previously presented		P 4,112,140,540	P 66,609,227	P 785,957,863	P (20,209,445)	P 4,944,498,185
Prior period adjustment		-	-	43,197	(58,396)	(15,199)
As at January 1, 2015, as restated		4,112,140,540	66,609,227	786,001,060	(20,267,841)	4,944,482,986
Total comprehensive income:		-	-	231,012,886	-	231,012,886
Net income		-	-	-	-	-
Other comprehensive loss		-	-	-	-	-
Actuarial losses on retirement benefit plan	3	-	-	-	(14,512,451)	(14,512,451)
Cash dividend	3,19	-	-	(205,607,027)	-	(205,607,027)
As at December 31, 2015		P 4,112,140,540	P 66,609,227	P 811,406,919	P (34,780,292)	P 4,955,376,394

	For the Year Ended December 31, 2014				Total	
	Notes	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Retained Earnings (Notes 3,19)		Accumulated Actuarial losses on Retirement Benefit Plan (Note 28)
As at January 1, 2014, as previously presented		P 4,112,140,540	P 66,609,227	P 785,459,324	P (20,209,445)	P 4,943,999,646
Prior period adjustments		-	-	(1,084,260)	-	(1,084,260)
As restated		4,112,140,540	66,609,227	784,375,064	(20,209,445)	4,942,915,386
Total comprehensive income:		-	-	207,189,826	-	207,189,826
Net income		-	-	-	-	-
Other comprehensive loss		-	-	-	-	-
Actuarial losses on retirement benefit plan	3	-	-	-	-	-
Cash dividend	3,19	-	-	(205,607,027)	-	(205,607,027)
As at December 31, 2014		P 4,112,140,540	P 66,609,227	P 785,957,863	P (20,209,445)	P 4,944,498,185

Forward

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(With Comparative Figures for 2014 and 2013)

(In Philippine Peso)

	For the Year Ended December 31, 2013					
	Notes	Capital Stock (Note 19)	Additional Paid-In Capital (Note 19)	Retained Earnings (Notes 3, 19)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 29)	Total
As at January 1, 2013,	P	4,112,140,540	P 66,609,227	P 801,663,226	P (10,002,514)	P 4,432,154,615
Prior period adjustment		-	-	594,375	-	594,375
As restated		4,112,140,540	66,609,227	802,257,601	(10,002,514)	4,432,748,990
Total comprehensive income		-	-	188,214,375	-	188,214,375
Net income		-	-	-	-	-
Other comprehensive loss		-	-	-	(506,824)	(506,824)
Actuarial losses on retirement benefit plan	3	-	-	(205,607,027)	-	(205,607,027)
Cash dividend	3,19	-	-	785,459,324	(10,509,338)	4,415,443,889
As at December 31, 2013,	P	4,112,140,540	P 66,609,227	P 785,459,324	P (10,509,338)	P 4,415,443,889

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(With Comparative Figures for 2014 and 2013)
(In Philippine Peso)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 336,369,160	P 300,013,752	P 272,420,598
Adjustments for:			
Prior period adjustments	3 (15,199)	(996,709)	(4,055,761)
Depreciation and amortization	11,23,24,25 235,466,414	299,238,007	281,540,279
Interest expense	26 167,967,073	188,956,018	182,412,278
Retirement expense	21 14,168,362	11,696,392	12,209,756
Provision for credit losses	8 2,630,219	2,553,612	2,652,019
Foreign exchange gain	(10,506,871)	(3,595,391)	(8,280,501)
Finance income	7 (16,766,462)	(11,516,001)	(9,659,185)
Operating income before working capital changes	729,312,696	786,349,680	729,239,483
Changes in assets and liabilities:			
Increase in:			
Trade and other receivables	5,8,32 555,693,304	(776,392,271)	11,719,562
Inventories	5,9 201,435,950	143,572,231	(365,576,436)
Other current assets	10,13,20,32 (73,073,097)	(7,271,580)	(24,250,696)
Other non-current assets	3,7 (31,582,684)	632,740,798	25,320,411
Increase (decrease) in:			
Trade payables	15,37 (5,320,076)	25,004,374	19,665,585
Acceptances payable	17,37 12,058,173	(181,991,611)	93,983,568
Other current liabilities	19,37 21,922,970	(18,423,478)	(5,009,413)
Other non-current liabilities	(1,437,303)	885,660	-
Cash generated from operations	1,409,009,933	604,473,803	485,092,064
Interest paid	7 (167,967,073)	(188,956,018)	(182,412,278)
Retirement benefits paid	21 (10,819,659)	(10,515,106)	(5,637,432)
Income tax paid	(80,721,755)	(82,226,009)	(74,975,895)
Interest received	7 16,766,462	11,516,001	9,659,185
Net cash provided by operating activities	1,166,267,908	334,292,671	231,725,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	11 (249,317,010)	(268,645,433)	(378,230,388)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans, net	16,11,26,32 (531,169,000)	415,276,050	217,150,003
Dividends paid	19 (205,607,027)	(205,607,027)	(205,607,027)
Net cash provided by (used in) financing activities	(736,776,027)	209,669,023	11,542,976
NET INCREASE (DECREASE) IN CASH	180,174,871	275,316,261	(134,961,768)
CASH, BEGINNING OF YEAR	1,100,802,128	825,485,867	960,447,635
CASH, END OF YEAR	7,20,32 P 1,280,976,999	P 1,100,802,128	P 825,485,867

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Euro-Med Laboratories Phil., Inc. (the Parent Company) was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 29, 1988 under SEC Registration No. 148022. 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.

The Parent Company's shares were listed with the Philippine Stock Exchange Inc, (PSE) on beginning July 02, 1998.

The Parent Company and its subsidiaries (collectively referred to as the Group) are engaged primarily in the manufacture of pharmaceutical products, operation of dialysis center and development and operation of Quick Service Restaurant (QSR). The Company is 58.41% owned by its parent company, U.S Automotive, Inc., which is also incorporated in the Philippines. Its principal place of business is at PPL Building, United Nations Avenue cor. San Marcelino Street, Manila.

The consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years ended December 31, 2015, 2014 and 2013 were authorized for issue by the Board of Directors (BOD) on April 12, 2016.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

	Percentage of Ownership			
	2015		2014	
	Direct	Indirect	Direct	Indirect
Hemotek Renal Center, Inc. (Hemotek)	100.00	-	100.00	-
CafeFrance Corp. (CafeFrance)	100.00	-	100.00	-

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

The Parent Company controls an investee if and only if the Parent Company has: (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); (b) Exposure, or rights, to variable returns from its investment with the investee; and (c) The ability to use its power over the investee to affect its return.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) The contractual arrangement with other vote holders of the investee; (b) Rights arising from other contractual arrangements; and (c) The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss, Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and losses, were eliminated in full during consolidation in accordance with the accounting policy on consolidation.

3. Changes in Accounting Policies

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements as of and for the year ended December 31, 2014, except for the adoption of following new standards and amendment to standards and interpretations effective on January 1, 2015. The nature and impact of each new standard and amendment is described below:

- Amendments to PAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions*. 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. The amendments have no impact to the Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRS (2010-2012 cycle)

The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015, and are not expected to have material impact to the Group. These are the following:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*. The 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 a 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 to be 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).
- 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 - Revaluation Method – Proportionate Restatement of Accumulated Depreciation.* The amendment is to be 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 PFRS (2011-2013 cycle)

The following Annual Improvements to PFRS (2011-2013 cycle) are effective for the annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Company, thus:

- *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)

Several other new standards and amendments apply for the first time in 2015. However, they do not significantly impact the consolidated financial statements of the Group.

Future Adoption of New Standards and Amendments to Standards

The Group will adopt the following new standards and amendment to standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of new standards and amendment to standards to have significant impact on the consolidated financial statements.

Effective January 1, 2016

- *PAS 16, Property, Plant and Equipment (Amendments).* The amendments clarify the principle in PAS 16 and 38 that the 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. The amendments are not expected to have any impact to the Group given that it has not used a revenue-based method to depreciate its non-current assets.

- **PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements*** (Amendment). The amendment 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 his 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 to the Group's consolidated financial statements.
- **PFRS 10, *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 transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are not expected to have any impact to the Group.
- **PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*** (Amendment). The amendments to PFRS 11 require that a joint operator accounting for the acquisition on 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 the 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 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 impact to the Group.
- **PFRS 14, *Regulatory Deferral Accounts***. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have material impact to the Group. They include:

- **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal***. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal; rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **PFRS 7, *Financial Instrument: 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 the 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 Amendment 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 whenever they are included within the greater interim financial report (e.g., on the management commentary or risk report).
- ***Disclosure Initiative* (Amendments to PAS 1)**. The amendments to PAS 1 addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.
 - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share on OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Investment Entities: Applying the Consolidation Exception* (Amendments to PFRS 10, PFRS 12 and PAS 28) clarifies that:
 - A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
 - The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.
 - When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interest in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016.

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 39 with a more principle-based test that focuses on the economic relationship between the hedge item and the hedging instrument, and the effect of credit risk on the economic relationship; allowing risk components to be designated as the hedge 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.

- 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 the 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.

Standards issued by International Accounting Standards Board not yet adopted in the Philippines

Effective January 1, 2018

- PFRS 15, Revenue from Contracts with Customers. PFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- PFRS 16, *Leases*. PFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if PFRS 15, Revenue from Contracts with Customers has also been applied. PFRS 16 standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from PAS 17. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting Policies

Cash

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

Financial Instruments

Financial instruments are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions 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 trade date, i.e., the date that the Group commits to purchase or sell the asset.

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 includes directly attributable transaction costs.

The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and 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 every reporting date.

Financial Assets and Financial Liabilities at FVPL

This category consists of financial assets or financial liabilities that are held for trading or designated by management as FVPL on initial recognition. Financial assets or financial liabilities are classified as held for sale if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets or financial liabilities at FVPL are recorded in the consolidated statements of financial position at fair value, with changes in fair value being recorded in the consolidated profit or loss. Interest earned or incurred is recorded as "Interest income or expense", respectively, while dividend income is recorded when the right to receive payment has been established. Both are recorded in the consolidated profit or loss.

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets 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
- the financial instrument contains an embedded derivative that would need to be separately recorded.

The Group has no financial assets and financial liabilities at FVPL as at December 31, 2015 and 2014,

HTM Investments

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

There are no outstanding HTM investments as of December 31, 2015 and 2014.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL.

This accounting policy relates to the consolidated statement of financial position caption "Receivables", cash in banks included under "Cash", advances to suppliers and contractors, bidders and performance bonds and advances to officers and employees included under "Other current assets" and rentals and security deposits included under "Other noncurrent assets".

Receivables are recognized initially at fair value. After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

The losses arising from impairment of receivables are recognized in the "Impairment losses" account in the consolidated statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets).

Other nontrade receivables and loans receivable are recognized initially at fair value, which normally pertains to the consideration paid. Similar to receivables, subsequent to initial recognition, other nontrade receivables and loans receivables are measured at amortized cost using the effective interest rate method, less any allowance for impairment losses.

AFS Investments

AFS investments are those investments which are designated as such or do not qualify to be classified or designated as at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments.

After initial measurement, AFS investments are subsequently measured at fair value. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. The unrealized gains and losses arising from the fair value changes of AFS investments are included in other comprehensive income and are reported as "Other reserves" (net of tax where applicable) in the equity section of the consolidated statement of financial position. When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized in the consolidated profit or loss.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses. Dividends earned on holding AFS investments are recognized in the consolidated profit or loss when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized as "Impairment losses and others" in the consolidated statements of comprehensive income.

The Group has financial instruments classified as AFS included under non-current assets (see Note 13).

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued

financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated profit or loss.

This accounting policy applies primarily to "Trade payables", "Trust receipts payable", "Notes payable", "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Impairment of Financial Assets

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

Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is to be recognized in the consolidated profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated profit or loss to the extent that the carrying value of the asset does not exceed what should have been its amortized cost at the reversal date.

With respect to receivables, the Group performs a regular review of the risk profile of accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Group.

AFS Investments Carried At Cost

If there is 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 a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted

at the current market rate of return for a similar financial asset. The carrying amount of the asset is reduced through the use of an allowance account.

AFS Investments Carried At Fair Value

If an AFS investment carried at fair value is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated profit or loss. Reversals of impairment losses on debt instruments are made through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Asset

A financial asset is derecognized when:

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

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

Financial 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 consolidated statement of comprehensive income.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal

right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and any related assets and liabilities are presented at gross amounts in the consolidated statements of financial position.

Inventories and Supplies

Inventories and supplies are initially measured at cost. Subsequently, stated at the lower of cost and net realizable value (NRV). NRV 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. NRV for raw materials is the current replacement cost. In determining the NRV, the Group considers any adjustments necessary for obsolescence. Cost is determined 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.

When inventories and supplies are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Prepayments

Prepayments, included under "Other current assets" account in the consolidated statement of financial position, are expenses paid in advance and recorded as asset before they are utilized.

This account comprises of advance payment for marketing expenses, advertising and promotions, taxes, rentals and other prepaid items and creditable withholding taxes. Prepaid marketing expenses, advertising and promotions, taxes, rentals and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.

Creditable withholding taxes are deducted from income tax payable. Prepayments that are expected to be realized for no more than 12 months after the financial position date are classified as current assets; otherwise, these are classified as other noncurrent assets.

Value Added Tax

Input VAT is recognized when the Group purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding ₱1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT."

Property, Plant and Equipment

Property plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and impairment losses. Land is stated at cost less any impairment losses.

The initial cost of an item of property, plant and equipment includes its purchase price and any cost attributable to bringing the property and equipment to its intended location and working condition. Cost also includes interest and other financing charges on borrowed funds specifically used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction.

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where 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, plant and equipment beyond its originally

assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Assets under construction (AUC) are carried at cost and transferred to the related property and equipment account when the construction and the related activities necessary to prepare the property, plant and equipment for their intended use are complete, and the property, plant and equipment are ready for service.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line method over the estimated useful lives (EUL) of the property and equipment.

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

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms.

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

The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable.

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

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequently, intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is computed on a straight-line basis over their estimated useful life of 20 years.

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

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

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

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

Impairment of Non-financial Assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Taxes

Current Income Tax

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

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect

to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

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

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

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

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

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed every end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in consolidated statement of comprehensive income.

Equity

Share capital is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of that transaction and are deducted from additional paid-in capital, net of related income tax benefits.

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

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

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

Dividend Distributions

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

Revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

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 medical services to be rendered and amount of revenue can be measured reliably.

Rental income

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

Royalty income

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

Dividend income

Dividend income is recognized when the shareholders' 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.

Foreign exchange gain

Gain is recognized for the difference in foreign exchange rates between the issuance date and settlement date.

Miscellaneous income

Revenue is recognized when earned or upon disposal of asset.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements.

Costs and Expenses

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

Cost of goods manufactured and sold

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

Distribution and administrative and selling expenses

Distribution expenses are costs incurred to sell or distribute merchandise, it includes advertising and promotions and freight and handling, among others. General, selling and administrative expenses are charged against current operations as incurred.

Research and Development Costs

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

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

Retirement Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are

recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Borrowing Costs

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

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

Leases

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

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

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

Group as a lessee

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

Foreign Currency-denominated Transactions

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

Earnings per Share (EPS)

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

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

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

Related Party Relationships and Transactions

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

Operating Segments

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

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

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

Contingencies

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

Events after the End of Reporting Period

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

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

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

a. Consolidation of subsidiaries

The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

b. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c. Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily

and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

d. Lease

Operating lease

Group as lessee

The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Total lease expense arising from operating leases amounted to P280.6 million, P282.5 million and P261.5 million in 2015, 2014 and 2013, respectively (see Note 29).

e. Functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following: (a) the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled); (b) the currency in which funds from financing activities are generated; and (c) the currency in which receipts from operating activities are usually retained.

f. Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding (Note 30).

Estimates and Assumptions

a. Credit losses of loans and receivables

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

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

The related balances follow (see Note 8):

	2015	2014
Receivables	P 1,866,001,257	P 2,419,064,342
Allowance for credit losses	44,628,928	41,998,709
Provision for credit losses	2,630,219	2,553,612

b. Measurement of NRV of inventories

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

The Group's inventories carried at cost as at December 31, 2015 and 2014 amounted to P1,160.2 million and P1,361.7 million, respectively (see Note 9).

c. Impairment of AFS financial assets

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

As at December 31, 2015 and 2014, the carrying value of the Group's AFS investment amounted to P0.2 million (see Note 13).

d. Estimation of useful lives of property, plant and equipment

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

The related balances follow (see Note 11):

	2015	2014
Cost	P 7,069,336,792	P 6,831,855,475
Accumulated depreciation and amortization and impairment losses	3,354,203,991	3,123,273,270
Depreciation and amortization	235,466,414	299,238,007

e. Estimated useful lives of intangible assets with finite lives

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

Intangible asset with finite useful lives amounted to P1.1 and P1.3 million as at December 31, 2015 and 2014, respectively (see Note 12).

f. Impairment of trademarks and licenses with indefinite lives

The Group determines whether trademarks and licenses are impaired at least annually. This requires the estimation of the value in use of the trademarks and licenses. Estimating value in use 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 P223.4 million as at December 31, 2015 and 2014 (see Note 12).

g. Recognition of deferred income tax

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax assets for the Group are disclosed in Note 28.

h. Present value of retirement benefit obligation

The cost of defined retirement benefit obligation and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present values of the retirement liability of the Group are disclosed in Note 21.

i. Impairment of non-financial assets

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

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- significant changes with an adverse effect on the Group during the period, or are expected to take place in the future, in the extent to which, or manner in which, an asset is used or is expected to be used.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

As at December 31, 2015 and 2014, the aggregate carrying values of property, plant and equipment amounted to P3,715.1 million and P3,708.5 million, respectively (see Note 11).

Accumulated impairment losses amounted to P380.9 million in 2015 and 2014.

No indications of further impairment were noted on property, plant and equipment as at December 31, 2015 and 2014 (see Note 11).

6. Segment Information

Business Segments

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

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

Segment Assets and Liabilities

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

Inter-segment Transactions

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

The following tables present certain information on revenue, expenses, assets and liabilities and other segment information of the different business segments as at December 31, 2015 and 2013:

	2015					Total
	Manufacturing	Service	Food	Elimination	Total	
	<i>(amounts in thousands)</i>					
Segment revenue	P 3,012,288	P 389,215	P 1,098,471	(37,619)	P 4,462,355	
Segment expense	2,571,333	374,677	1,088,765	(37,619)	3,997,156	
Operating income	440,955	14,538	9,706	-	465,199	
Other income (charges)	(122,963)	(5,201)	(665)	-	(128,829)	
Income before tax	317,992	9,337	9,041	-	336,370	
Provision for income tax	99,682	2,931	2,743	-	105,356	
Segment net income	P 218,310	P 6,406	P 6,298	P -	P 231,013	
Assets and Liabilities						
Segment assets	P 8,224,532	P 742,204	P 1,415,116	P (1,306,210)	P 9,075,642	
Deferred tax assets	48,509	317	745	-	49,571	
Total assets	P 8,273,041	P 742,521	P 1,415,861	P (1,306,210)	P 9,125,213	
Segment liabilities	P 2,345,538	P 439,607	P 426,182	P (182,635)	P 3,028,692	
Long-term debt	952,024	-	133,336	-	1,085,360	
Income tax payable	54,111	-	1,673	-	55,784	
Total liabilities	P 3,351,673	P 439,607	P 561,191	P (182,635)	P 4,169,836	
Other segment information						
Capital expenditures	P 182,346	P 34,848	P 32,123	P -	P 249,317	
Depreciation and amortization	159,327	32,659	43,480	-	235,466	

	2014					Total
	Manufacturing	Service	Food	Elimination	Total	
	<i>(amounts in thousands)</i>					
Segment revenue	P 3,200,236	P 327,530	P 1,218,927	P (43,111)	P 4,703,582	
Segment expense	2,755,946	317,559	1,211,416	(43,111)	4,241,810	
Operating income	444,290	9,971	7,511	-	461,772	
Other income (charges)	(160,352)	(1,395)	(12)	-	(161,759)	
Income before tax	283,938	8,576	7,499	-	300,013	
Provision for income tax	85,172	2,842	4,810	-	92,824	
Segment net income	P 198,766	P 5,734	P 2,689	P -	P 207,189	
Assets and Liabilities						
Segment assets	P 8,823,334	P 677,231	P 1,269,416	P (1,228,411)	P 9,541,570	
Deferred tax assets	40,744	297	1,571	-	42,612	
Total assets	P 8,864,078	P 677,528	P 1,270,987	P (1,228,411)	P 9,584,182	
Segment liabilities	P 2,603,905	P 411,152	P 716,407	P (616,032)	P 3,115,432	
Long-term debt	1,274,786	-	200,000	-	1,474,786	
Income tax payable	45,355	-	4,111	-	49,466	
Total liabilities	P 3,924,046	P 411,152	P 920,518	P (616,032)	P 4,639,684	
Other segment information						
Capital expenditures	P 47,130	P 21,240	P 200,275	P -	P 268,645	
Depreciation and amortization	169,548	32,177	97,512	-	299,237	

	2013									
	Manufacturing		Service		Food		Elimination		Total	
	<i>(amounts in thousands)</i>									
Segment revenue	P	3,000,915	P	326,430	P	1,288,191	P	(48,648)	P	4,566,888
Segment expense		2,590,508		318,164		1,283,720		(48,648)		4,143,744
Operating income		410,407		8,266		4,471		-		423,144
Other income (charges)		(152,922)		(279)		1,970		-		(151,231)
Income before tax		257,485		7,987		6,441		-		271,913
Provision for income tax		79,683		2,394		1,622		-		83,699
Segment net income	P	177,802	P	5,593	P	4,819	P	-	P	188,214
Assets and Liabilities										
Segment assets	P	8,632,446	P	605,555	P	1,129,931	P	(1,072,908)	P	9,295,024
Deferred tax assets		39,847		230		7,620		-		47,697
Total assets	P	8,672,293	P	605,785	P	1,137,551	P	(1,072,908)	P	9,342,721
Segment liabilities	P	2,954,949	P	345,144	P	1,425,490		(1,121,147)	P	3,604,436
Long-term debt		751,696		-		1,210		-		752,906
Income tax payable		40,266		-		1,201		-		41,467
Total liabilities	P	3,746,911	P	345,144	P	1,427,901	P	(1,121,147)	P	4,398,809
Other segment information										
Capital expenditures	P	127,622	P	92,702	P	157,906	P	-	P	378,230
Depreciation and amortization		181,034		22,643		77,863		-		281,540

7. Cash

This account consists of:

	2015		2014	
Cash on hand and revolving funds		P 100,629,752	P	44,844,679
Cash in banks		1,180,347,247		1,055,957,449
		P 1,280,976,999	P	1,100,802,128

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P16.8 million, P11.5 million, and P9.7 million in 2015, 2014 and 2013, respectively.

As at December 31, 2015 and 2014, cash in banks include foreign currency-denominated deposits amounting to US\$11.5 million or P544.2 million and US\$9.9 million or P441.3 million, respectively (see Note 32).

8. Receivables

This account consists of:

	2015		2014	
Trade		P 1,857,702,891	P	1,787,284,514
Receivable from SMDC		-		625,000,000
Non-trade receivables		8,298,366		6,779,828
		1,866,001,257		2,419,064,342
Less allowance for credit losses		(44,628,928)		(41,998,709)
		P 1,821,372,329	P	2,377,065,633

Trade receivables are non-interest bearing and are generally collectible in the short-term.

Receivable from SMDC refers to the 50% balance from the sale of investment in shares of stocks in 102 EDSA, is non-interest bearing and was collected in May 2015.

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

The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivables and on an evaluation of the current status of the account. Allowance for credit losses relates to trade receivables. No allowance was provided on non-trade receivables. Changes in the allowance for credit losses as at December 31, 2015 and 2014 are as follows:

	2015		2014	
Balance, January 1	P	41,998,709	P	39,445,097
Provision for the year		2,630,219		2,553,612
	P	44,628,928	P	41,998,709

9. Inventories

The account consists of:

	2015		2014	
Raw materials and supplies				
Raw materials	P	278,021,350	P	232,614,606
Foods		52,287,112		55,781,327
Medical supplies		81,199,842		83,614,674
Packaging and supplies		9,332,666		8,078,968
Total		420,840,970		380,089,575
Finished goods		739,406,408		981,593,753
	P	1,160,247,378	P	1,361,683,328

The estimated net realizable values of inventories are as follows:

	2015		2014	
Raw materials	P	426,804,865	P	366,549,188
Finished goods		937,610,051		1,258,502,430
Medicines and medical supplies		87,795,408		87,795,408
	P	1,452,210,324	P	1,712,847,026

Inventories recognized as expense during the year amounting to P1,966.3 million, P1,737.2 million and P1,626.3 million in 2015, 2014 and 2013, respectively are included as part of "Cost of Goods Sold and Manufactured" accounts in the consolidated statement of comprehensive income.

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.

10. Other Current Assets

This account consists of:

	2015	2014
Current portion of prepayments	P 126,977,484	P 126,977,484
Advances to suppliers and contractors	100,242,335	70,370,519
Bidders and performance bonds	46,086,800	46,086,800
Current portion of advances to officers (Note 13)	61,427,975	35,743,321
Current portion of advances to employees (Note 13)	27,598,076	10,081,449
Creditable withholding VAT	9,584,539	9,584,539
Creditable withholding tax	4,685,612	4,685,612
Others	2,502,704	2,502,704
	P 379,105,525	P 306,032,428

Prepaid marketing and development expense refers to the amount stipulated in the Parent Company's sales contracts, which are to be amortized for four (4) years, with the amounts to be amortized for the next twelve (12) months, recognized as other current asset. The remaining amount to be amortized is recognized under non-current asset. Other prepayments consist of advance payments for advertising, rentals, insurance and other miscellaneous expenses.

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

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

Advances to officers and employees pertain to housing, car, salary and other loan granted to the Group's officers and employees that are collectible through salary deduction. These are non-interest bearing and have various maturity dates ranging from 2016 to 2021.

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

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

11. Property, Plant and Equipment

The roll-forward analysis of this account as at December 31, 2015:

	Land and Land Improvements	Building and Leasehold Improvements	Machineries and Equipment	Transportation Equipment	Office Furnitures and Equipment	Total
Cost						
At January 1	P 40,540,723	P 1,312,722,512	P 5,296,880,700	P 47,080,700	P 134,630,840	P 6,831,855,475
Additions	50,800,000	80,342,295	110,048,775	406,251	7,719,689	249,317,010
Retirements/Disposals	-	-	(4,535,693)	(7,300,000)	-	(11,835,693)
At December 31	91,340,723	1,393,064,807	5,402,393,782	40,186,951	142,350,529	7,069,336,792
Accumulated depreciation and amortization						
At January 1	16,611,650	413,356,884	2,630,131,892	22,457,590	40,715,254	2,742,323,286
Depreciation and amortization	782,684	45,835,279	178,960,489	2,554,141	7,333,821	235,466,414
Retirements/Disposals	-	-	(4,535,698)	-	-	(4,535,698)
At December 31	17,394,334	459,192,163	2,804,556,683	25,011,731	48,049,075	2,973,254,002
Accumulated impairment Losses						
At January 1	-	62,924,584	318,025,405	-	-	380,949,989
At December 31	-	62,924,584	318,025,405	-	-	380,949,989
Carrying Amounts						
At December 31	P 73,946,389	P 870,948,060	P 2,279,811,694	P 15,175,220	P 94,301,454	P 3,715,132,801

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

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

Depreciation and amortization expense charged to operations amounted to P235.5 million, P299.2 million and P281.5 for the years ended December 31, 2015, 2014 and 2013, respectively, broken down as follows:

	Notes	2015	2014	2013
Charged to:				
Factory overhead	23	P 147,991,847	P 249,331,097	P 250,960,654
Distribution expenses	25	4,679,274	4,589,307	4,604,705
Administrative expenses	24	82,377,625	45,137,349	25,814,494
Selling expenses	24	417,668	180,254	160,426
		P 235,466,414	P 299,238,007	P 281,540,279

The total cost of fully depreciated property, plant and equipment which are still used amounted to P90.4 million and P76.6 million as at December 31, 2015 and 2014, respectively.

Property, plant and equipment with an aggregate carrying amounts of P1,951.7 and P2,061.6 million in 2015 and 2014, respectively, have been pledged as security for long-term debts as at December 31, 2015 and 2014 (see Note 16).

12. Intangible Assets

This account consists of:

	2015		2014	
Trademarks and licenses	P	223,399,836	P	223,399,836
Patents and rights		1,145,458		1,325,712
	P	224,545,294	P	224,725,548

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

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

Movement in patents rights account as at December 31, 2015 and 2014 are as follows:

	2015		2014	
Beginning balance	P	1,325,712	P	1,505,966
Amortization during the period		(180,254)		(180,254)
	P	1,145,458	P	1,325,712

No impairment loss on intangible assets was recognized in 2015, 2014 and 2013.

13. Other Non-current Assets

This account consists of:

	2015		2014	
Prepayments, net of current portion (Note 10)	P	316,200,795	P	322,288,522
Rental and security deposits		101,360,548		68,753,098
Advances to officers, net of current portion		35,103,277		37,817,813
Advances to employees, net of current portion		11,085,245		8,870,845
Deferred input VAT		26,146,226		22,666,391
Construction bonds		4,055,095		1,983,245
Others		310,408		298,996
	P	494,261,594	P	462,678,910

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

Deferred input VAT pertains to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to the existing VAT rules and regulations. However, these can be applied on future output VAT liabilities.

Construction bonds represent contractor's guaranty monies against defects in workmanship on materials delivered for a specified period following the completion of a contract.

Other non-current assets include available-for-sale financial assets amounting to P0.2 million in 2015 and 2014. Available-for-sale financial assets are the Group's investment in Philippine

Long Distance Corporation (PLDT) shares and Casino Español de Manila (CEdM). The fair value of PLDT shares equal its year-end book value while the the CEdM securities are carried at cost. The PLDT shares represents stocks held by the Group under the investee's Subscribers Investment Plan. This is in connection with the various telephone lines acquired by the Group. Investment in Casino Español de Manila represents corporate proprietary shares.

14. Trade Payables

Trade payable mainly includes unpaid billings from the Group's suppliers of raw materials, distributed products and other services. These are non-interest-bearing and normally settled within one (1) year. As at December 31, 2015 and 2014, trade payables amounted to P524.7 million and P530.1 million, respectively.

15. Trust Receipts Payable

This account represents trust receipts on letters of credit obtained from various local banks for the importation of various raw materials which bears interest ranging from 3.5% to 6.0% per annum in 2015 and 2014. This is part of the availments from Omnibus Credit lines of various commercial banks.

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) usance and trust receipts available up to 180 days with interest payable / reviewable monthly or every 30 to 90 days in arrears at prevailing bank loan rate. As at December 31, 2015 and 2014, outstanding trust receipts payable amounted to P137.9 million and P125.9 million, respectively.

16. Notes Payable and Long-term Loans

This account consists of:

	2015		2014	
Notes payable	P	2,166,856,333	P	2,308,600,000
Long-term loans		1,085,360,667		1,474,786,000
	P	3,252,217,000	P	3,783,386,000

The movements of this account are as follows:

	2015		2014	
Balance, beginning of year	P	3,783,386,000	P	3,416,316,667
Availments during the year		1,693,000,000		2,372,000,000
Payments during the year		(2,224,169,000)		(2,004,930,667)
Balance, end of year		3,252,217,000		3,783,386,000
Less: current portion		2,556,281,666		2,698,025,333
	P	695,935,334	P	1,085,360,667

Notes Payable

Notes payable consist of Philippine peso-denominated promissory notes obtained from local banks with an average maturity of one to eleven months from reporting dates. These borrowings bear average interest rates ranging from 4.0% to 7.0% in 2015 and 2.8% to 6.0% in 2014. These are obtained specifically for working capital purposes.

The Group has Omnibus Credit lines in the aggregate amount of about P4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollars), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). Availments are for a period of 180 to 360 days, with interest payable/reviewable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

Long-term Loans

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

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

	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 3.5%-6.0% in 2015 and 3.3%-8.5% in 2014. The maturities of long-term loan at nominal values as at December 31, 2015 and 2014 follow:

Description	Interest rates	2015			Total
		Within 1 year	More than 1 year but less than 3 years	More than 3 years	
Term loans	3.5%-6.0%	P 389,425	P 695,935	-	P 1,085,360

(amounts in thousands)

Description	Interest rates	2014			Total
		Within 1 year	More than 1 year but less than 3 years	More than 3 years	
Term loans	3.3%-8.5%	P 389,425	P 929,785	P 155,576	P 1,474,786

(amounts in thousands)

In case of late in payments of interest and principal amount, the Company shall be charged with penalty rate ranges from 1.5% to 3% per month from the date due until date of full payment.

The Group has not committed default in the amortization of its loan and has not committed breaches with its loan agreements.

Total interest expenses recognized amounted to P189.0 million, P189.0 million and P182.4 in 2015, 2014 and 2013, respectively (see Note 26).

17. Other Current Liabilities

This account consists of:

	2015		2014
Accrued expenses	P 40,057,565	P	35,998,505
Taxes payable	19,559,082		1,363,206
Deferred output VAT	12,293,712		11,489,060
SSS/Pagibig/Philhealth premium payables	3,011,652		3,593,453
Deferred revenue	1,493,910		2,048,727
Others	5,970		5,970
	P 76,421,891	P	54,498,921

Accrued expenses represent accrual for purchases of raw materials, supplies and services.

Taxes payable consist of withholding taxes and VAT payable. Withholding taxes represents income taxes withheld from the salaries of employees and creditable taxes withheld from sources under the expanded withholding tax system from the remuneration of suppliers, agents and other corporations for services rendered and was remitted to Bureau of Internal Revenue (BIR) in January 2016. VAT payable represents for VAT on collection of December 2015, net of allowable input taxes, and was remitted to Bureau of Internal Revenue (BIR) in January 2016.

Deferred output VAT are expected to be remitted to the government (net of input VAT) immediately upon collection of related receivables which is expected to be settled within twelve (12) months.

SSS/Pagibig/Philhealth premiums and loans represent amounts deducted from the officers and staff for the contributions and for those with outstanding loans. The Parent Company remitted to the proper government agency the amounts in January 2016.

Deferred revenue represents customers' purchases of gift certificates which remain outstanding as at December 31, 2015 and 2014.

18. Other Non-current Liabilities

This account consists of advance rental and refundable deposits amounting to P2.1 million and P3.6 million in 2015 and 2014.

19. Equity

Capital Stock

The Parent Company has an authorized share capital of P5,000.0 million divided into 5,000.0 million common shares at P1 par value. As at December 31, 2015 and 2014, the number of total common shares subscribed, issued and outstanding totaled to 4,112.1 million shares for a total amount of P4,112.1 million.

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 at December 31, 2014, to all stockholders of record as at June 18, 2015 and payable on July 10, 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.

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

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group 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 Group's may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes for the years ended December 31, 2015 and 2014.

The Group monitors its use of capital structure using a gearing ratio of debt to equity which is gross debt divided by total capital. The Group includes within gross debt all loans and borrowings, while equity represents total equity. The Group strategy is to maintain a debt to equity ratio of not exceeding 90%. Following is the computation of the Group's debt-to-equity ratio as at December 31, 2015 and 2014:

	2015	2014
Short-term debts		
Trade payables	P 524,743,583	P 530,063,659
Trust receipts payable	137,914,838	125,856,665
Notes payable	2,166,856,333	2,308,600,000
Current portion of long-term loans	389,425,333	389,425,333
Other current liabilities	76,421,891	54,498,921
	3,295,361,978	2,847,357,437
Long-term debts		
Long-term loans-net of current portion	695,935,334	1,085,360,667
Other noncurrent liabilities	2,148,357	3,585,660
Total debt (a)	P 3,993,445,669	P 3,801,365,783
Equity (b)	P 4,955,376,394	P 4,944,498,185
Debt-to-equity	81%	77%

The Group is not subject to externally imposed capital requirements. The capital structure of the Group 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 Group's approach to capital management during the period.

20. 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 Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and did not involve more than the normal risk of collectability or present other unfavorable conditions.

Significant related party transactions include the following:

- a) The Group is leasing its office at PPL Building, United Nations Avenue corner San Marcelino Street, Manila from US Automotive Co., Inc., a majority stockholder of the Group. The lease is for one (1) year period and is being renewed annually subject to mutual agreement of the parties. In renewal, the Management considers the lease rates charged to the other tenants in the building and in the vicinity. No outstanding payable as of December 31, 2015 and 2014. There are no other ongoing contractual or other commitments as a result of the arrangement.
- b) The Group purchased labels from Philippine Label Pack Corp., a corporation wherein some major stockholders are family members of one (1) of the Group's directors/executive officers. These transactions are made substantially on the same terms and conditions as transactions with other suppliers of the Group. The purchase price depends on the prices submitted/quoted by various suppliers. No outstanding payable as of December 31, 2015 and 2014. There are no ongoing contractual or other commitments as a result of the arrangement.
- c) The Group engages in regular bank transactions with Philtrust Bank, an affiliated local commercial bank, under common control of certain major stockholders.
- d) The Group avails of advertising services of Manila Publishing Corporation, an affiliate under common control of certain major stockholders.
- e) The Group avails of hotel services of Manila Hotel, an affiliated under common control of certain major stockholders.

The summary of balances arising from related party transactions for the relevant financial year follows (transactions with subsidiaries have been eliminated in the consolidated financial statements):

2015				
Related Party	Nature	Amount/ Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc. (See Notes 24, 29)	Rent expense Payments	29.9 million (29.9 million)	-	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Affiliated Companies				
Philtrust Bank (Philippine Trust Company) (See Note 7)	Cash in bank, net deposit Interest income	590.5 million 8.4 million	590.5 million 8.4 million	Earn interest at the prevailing bank deposit rates; unimpaired;
Manila Bulletin Publishing Corp.	Advertising services Payments	12.1 million (12.1 million)	-	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel	Hotel services Payments	1.05 million (1.05 million)	-	Hotel charges are the same as charged to other regular customers:
Philippine Label Park Corp. (See Note 9)	Purchase of labels Payments	7.4 million (7.4 million)	-	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers
Key management personnel				
Various officers (See Notes 10, 13)	Net Advances	23.0 million	96.5 million	Non-interest bearing, payable through salary deductions

2014				
Related Party	Nature	Amount/ Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc. (See Notes 24, 29)	Rent expense Payments	22.3 million (22.3 million)	-	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Affiliated Companies				
Philtrust Bank (Philippine Trust Company) (See Note 7)	Cash in bank, net deposit Interest income	268.0 million 2.9 million	268.0 million 2.9 million	Earn interest at the prevailing bank deposit rates; unimpaired;
Manila Bulletin Publishing Corp.	Advertising services Payments	10.5 million (10.5 million)	-	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel	Hotel services Payments	1.1 million 91.1 million0	-	Hotel charges are the same as charged to other regular customers:
Philippine Label Park Corp. (See Note 9)	Purchase of labels Payments	10.9 million (10.9 million)	-	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers
Key management personnel				
Various officers (See Notes 10, 13)	Net Advances	15.5 million	73.6 million	Non-interest bearing, payable through salary deductions

Compensation of Key Management Personnel

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

	2015	2014
Short-term employee benefits	P 19,397,570	P 19,412,605
Post-employment benefits	2,908,650	3,022,345
	P 22,306,220	P 22,434,950

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

The Group does not use a management entity that provides management services and management personnel services.

21. Retirement Benefit Obligation

The Group has an unfunded, non-contributory defined benefit retirement plan which covers substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. Under the Plan, the normal retirement age is 60 or after completion of at least 25 years of continuous service but a participant may opt to retire

after completion of ten (10) years of continuous service to the Group. Retirement benefit for both normal and early retirement is equivalent to one month average basic salary for each year of service rendered. The latest actuarial valuation was made on December 31, 2013.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

	2015		2014		2013	
Current service cost	P	9,814,932	P	7,433,633	P	7,817,447
Net interest cost		4,353,430		4,262,759		4,392,309
	P	14,168,362	P	11,696,392	P	12,209,756

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

	2015		2014		2013	
Cost of goods manufactured and sold	P	5,409,450	P	4,855,568	P	5,336,959
Administrative and marketing expense		8,004,395		6,165,528		6,214,211
Distribution expense		754,517		675,296		658,586
	P	14,168,362	P	11,696,392	P	12,209,756

Liability recognized in the consolidated statement of financial position:

	2015		2014	
Present value of benefit obligation	P	120,606,972	P	96,526,196
Fair value of plan assets		-		-
Retirement benefit obligation	P	120,606,972	P	96,526,196

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

	2015		2014	
Balance at beginning of year	P	96,526,196	P	95,344,910
Total retirement expense		14,168,362		11,696,392
Total amount recognized in OCI		20,732,073		-
Benefits paid		(10,819,659)		(10,515,106)
Balance at end of year	P	120,606,972	P	96,526,196

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

	2015		2014
Balance at beginning of year	P 96,526,196	P	95,344,910
Current service cost	9,814,932		7,433,633
Net interest cost	4,353,430		4,262,759
Benefits paid	(10,819,659)		(10,515,106)
Actuarial loss/(gain) due to:			
Experience adjustments	22,394,598		-
Change in demographic assumptions	(1,733,313)		-
Changes in financial assumptions	70,788		-
Balance at end of year	P 120,606,972	P	96,526,196

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

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

Plan Year		Benefit payments
Less than 1 year	P	38,407,290
More than 1 year to 5 years		53,644,526
More than 5 years to 10 years		63,246,524
More than 10 year to 15 years		48,503,598
More than 15 year to 20 years		56,723,543
More than 20 years		52,716,116

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

	2015	2014
Discount rate	5.09%	4.73%
Salary increase rate	1.00%	1.00%

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

In 2015 and 2014, Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015, assuming if all other assumptions were held constant:

Description	Increase/decrease in basis points	Increase/decrease Defined Benefit Obligation
Discount rates	+1.00%	P 6,410,288
	-1.00%	(12,368,660)
Salary increase rate	+1.00%	4,368,813
	-1.00%	(3,578,803)

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

22. Revenues

This account consist of

	2015		2014		2013
Local sales	P 3,735,956,165	P	4,007,430,959	P	3,795,594,277
Export sales					
ASEAN	294,480,412		294,480,412		308,439,929
Other Asian countries	10,465,149		14,631,761		23,417,077
Africa	-		9,204,797		65,072,576
Others	32,238,937		50,304,844		47,933,908
	337,184,498		368,621,814		444,863,490
Total net sales	4,073,140,663		4,376,052,773		4,240,457,767
Service income	389,214,828		327,529,686		326,430,357
	P 4,462,355,491	P	4,703,582,459	P	4,566,888,124

The amount above is net of sales returns and sales discounts for prompt payments and volume discounts which the Group is extending to customers in its ordinary course of business amounting to P64.3 million, P68.1 million and P37.8 million in 2015, 2014 and 2013, respectively.

23. Cost of Goods Sold and Manufactured

The components of cost of goods sold and manufactured for the years ended December 31 consists of:

	2015		2014		2013
Raw materials and supplies	P 1,546,358,393	P	1,296,651,989	P	1,330,087,647
Direct labor	344,417,009		362,544,220		381,625,495
Manufacturing overhead	723,831,580		1,196,082,452		1,213,870,129
Cost of goods manufactured	2,614,606,982		2,855,278,661		2,925,583,271
Finished goods					
Beginning of year	981,593,753		1,061,378,731		856,434,335
Purchases	177,793,496		360,741,154		501,162,482
End of year (Note 9)	(739,406,408)		(981,593,753)		(1,061,378,731)
	P 3,034,587,823	P	3,295,804,793	P	3,221,801,357

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

	2015		2014		2013
Beginning of year	P 380,089,575	P	443,876,828	P	283,244,788
Purchases	1,587,109,788		1,232,864,736		1,490,719,687
Raw materials and supplies available for use	1,967,199,363		1,676,741,564		1,773,964,475
End of year (Note 9)	(420,840,970)		(380,089,575)		(443,876,828)
	P 1,546,358,393	P	1,296,651,989	P	1,330,087,647

The details of manufacturing overhead are as follows:

	2015		2014		2013
Rentals (Note 29)	P 208,042,398	P	215,696,312	P	202,026,720
Depreciation and amortization (Note 11)	147,991,847		249,331,097		250,960,654
Indirect labor	86,823,147		116,899,195		126,575,726
Utilities	84,941,648		251,222,222		261,529,221
Repairs and maintenance	79,768,075		116,042,158		117,698,711
Gas and oil	70,605,936		118,939,992		127,230,941
Supplies	18,278,499		92,649,697		92,519,180
Contractual services	13,864,751		16,649,924		15,524,283
Taxes and licenses	4,546,528		5,891,875		5,692,633
Insurance	2,746,792		2,931,650		3,999,869
Security services	2,672,695		4,804,841		5,421,181
Miscellaneous	3,549,264		5,023,489		4,691,010
	P 723,831,580	P	1,196,082,452	P	1,213,870,129

24. Administrative and Selling Expenses

This account consists of:

	2015		2014		2013
Administrative expenses	P 402,105,142	P	365,003,859	P	383,932,082
Selling expenses	292,653,491		303,132,896		292,842,884
	P 694,758,633	P	668,136,755	P	676,774,966

The details of administrative expenses are as follows:

	2015		2014		2013
Salaries and commissions	P 102,815,164	P	94,087,780	P	113,281,494
Senior citizen and disability discount	55,303,451		40,119,706		42,676,752
Depreciation and amortization (Note 11)	82,377,625		45,137,349		25,814,494
Taxes and licenses	29,581,689		37,499,349		29,675,589
Rentals (Note 29)	31,591,048		29,318,115		30,947,129
Transportation and travelling	11,280,369		13,434,119		24,507,161
Professional fees	19,368,483		21,884,637		24,279,158
Representation and entertainment	13,112,325		12,244,458		11,162,716
Light and water	10,818,524		13,412,814		10,982,749
Service fee	7,951,989		7,415,664		8,263,371
Office supplies	6,679,742		10,725,968		9,795,763
Gas and oil	5,669,035		5,669,035		6,103,819
Insurance	3,223,314		3,179,675		2,298,525
Training and seminars	3,079,074		6,034,571		1,550,415
Provision for credit losses (Note 8)	2,630,219		2,553,612		2,652,019
Postage and telephone	1,664,134		1,650,324		2,157,463
Repairs and maintenance	1,364,449		4,716,478		7,573,779
SSS/Medical/ECC/HDMF	1,157,495		1,152,708		1,555,085
Miscellaneous	12,437,013		14,767,497		28,654,601
	P 402,105,142	P	365,003,859	P	383,932,082

The details of selling expenses are as follows:

	2015		2014		2013
Marketing and development expense	P 134,132,436	P	142,942,260	P	150,273,218
Salaries and commissions	88,502,837		90,305,078		80,371,519
Transportation and travelling	41,738,899		42,471,580		37,799,706
Representation and entertainment	10,323,498		7,157,656		6,370,314
Deliveries	2,338,367		2,806,286		2,497,594
SSS/Medical/ECC/HDMF	4,323,804		4,363,152		3,883,205
Postage and telephone	2,818,197		3,143,757		2,797,944
Training and seminars	2,815,126		4,546,257		4,046,169
Insurance	1,845,666		1,660,790		1,478,103
Taxes and licenses	998,269		177,654		158,112
Office supplies	478,858		1,176,565		1,047,143
Depreciation and amortization (Note 11)	417,668		180,254		160,426
Repairs and maintenance	404,367		358,067		318,680
Miscellaneous	1,515,500		1,843,539		1,640,750
	P 292,653,491	P	303,132,896	P	292,842,884

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

25. Distribution Expenses

This account consists of:

	2015		2014		2013
Delivery expense	P 165,286,020	P	183,052,225	P	163,082,990
Rentals (Note 29)	40,921,913		37,507,906		28,611,984
Salaries and wages	20,213,794		18,559,099		18,610,585
Taxes and licenses	16,177,957		14,894,592		13,528,050
Depreciation and amortization (Note 11)	4,679,274		4,589,307		4,604,705
Repairs and maintenance	4,679,274		3,994,214		1,950,555
Light and water	3,792,148		3,904,070		3,981,501
Transportation and travelling	1,719,996		1,558,581		1,585,699
Office/warehouse supplies	1,563,955		1,529,270		1,374,863
Insurance	1,518,624		1,371,254		898,903
Postage and telephone	1,156,604		1,366,046		1,568,157
SSS/Medical/ECC/HDMF	1,036,082		1,070,041		997,398
Representation and entertainment	590,556		419,180		286,943
Miscellaneous	4,473,764		4,052,762		4,085,022
	P 267,809,961	P	277,868,547	P	245,167,355

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

26. Interest Expense

This account consists of interests on loans as follows:

	2015		2014		2013
Short-term loans	P 126,596,077	P	140,400,802	P	148,316,976
Long-term loans	41,370,996		48,555,216		34,095,302
	P 167,967,073	P	188,956,018	P	182,412,278

27. Miscellaneous Income

This account consists of:

	2015		2014		2013
Royalty income	P 4,295,915	P	2,581,050	P	3,321,663
Interest on car/housing loan	2,108,065		1,703,557		1,703,557
Others	5,459,846		7,801,407		8,838,985
	P 11,863,826	P	12,086,014	P	13,864,205

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

28. Income Taxes

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

	2015		2014		2013
Corporate income tax	P 102,477,683	P	88,175,534	P	83,267,049
Final tax	4,211,667		4,922,990		3,199,653
Deferred	(1,333,076)		(274,598)		(2,767,303)
	P 105,356,274	P	92,823,926	P	83,699,399

The corporate income tax is 30% in 2015, 2014 and 2013. In 2015, 2014 and 2013, the Group availed of the itemized deductions method in claiming its deductions.

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

	2015		2014
Unfunded retirement benefit obligation	P 36,182,092	P	29,966,835
Allowance for credit losses	13,388,680		12,599,613
NOLCO	-		46,002
	P 49,570,772	P	42,612,450

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

		2015			
		Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P	29,966,835	P 590,011	P 6,219,622	P 36,776,468
Adjustment		(594,376)	-	-	(594,376)
As adjusted		29,372,459	590,011	6,219,622	36,182,092
Allowance for impairment losses		12,599,613	789,067		13,388,680
NOLCO		46,002	(46,002)		-
	P	42,018,074	P 1,333,076	P 6,219,622	P 49,570,772

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

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

	2015	2014	2013
Statutory income tax	P 100,910,747	90,008,034	P 81,726,179
Income subject to lower tax rates	(6,318,713)	(4,229,116)	(3,894,254)
Tax effect of timing difference			410,384
Non-deductible expenses	7,885,649	2,396,616	5,024,740
	P 102,477,683	P 88,175,534	P 83,267,049

29. Commitments

Unused Letters of Credit

The Group's unused letters of credit amounted to approximately P167.1 million in 2015 and P242.2 million in 2014.

Operating Lease Commitments - Group as a lessee

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

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

	2015	2014
Within one year	P 448,808,198	P 390,267,998
After one year but not more than five years	236,637,639	205,771,860
	P 685,445,837	P 596,039,858

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

	2015		2014		2013
Cost of goods sold (Note 23)	P 208,042,398	P	215,696,312	P	202,026,720
Administrative expense (Note 24)	31,591,048		29,318,115		30,947,129
Distribution expense (Note 25)	40,921,913		37,507,906		28,611,984
	P 280,555,359	P	282,522,333	P	261,585,833

30. Contingencies

As at December 31, 2015, the Group had a total of forty-five (45) pending cases, forty-one (41) of which were filed by the Group 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 Group's current assets. The remaining other cases are insolvency cases by clients where the Group has pending accountabilities.

31. Earnings Per Share (EPS)

Computation of basic and diluted EPS is shown below:

	2015		2014		2013
Net income attributable to ordinary equity holders of the parent for basic earnings	P 231,012,886	P	207,189,826	P	188,721,199
Divided by the weighted average number of shares	4,112,140,540		4,112,140,540		4,112,140,540
	P 0.06	P	0.05	P	0.05

32. Financial Risk Management Objectives and Policies

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

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

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

Credit Risk

To manage credit risk, the Group trades only with recognized and credit-worthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification process with emphasis on their capacity, character and willingness to pay. Each customer, whether corporate or otherwise, has an approved maximum credit limit. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is

monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

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

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

	2015	2014
Cash in banks	P 1,180,347,247	P 1,055,957,449
Receivables	1,821,372,329	2,377,065,633
Other current assets		
Advances to suppliers and contractors	100,242,335	70,370,519
Bidders and performance bonds	46,086,800	46,086,800
Advances to officers	61,427,975	45,824,770
Advances to employees	27,598,076	35,743,321
Other noncurrent assets	11,085,245	10,081,449
Rental and security deposits	101,360,548	68,753,098
Advances to officers	35,103,277	37,817,813
Advances to employees	11,085,245	8,870,845
Available for sale financial asset	200,000	200,000
	P 3,395,909,077	P 3,756,771,697

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

The table below shows the credit quality by class of financial assets as of December 31, 2015 and 2014, gross of allowance for credit losses.

	2015					Total
	Neither Past Due Nor Impaired			Past Due But Not Impaired		
	High Grade	Standard Grade	Substandard Grade			
Loans and receivables						
Cash in banks	P 1,180,347,247	P -	P -	P -	P -	P 1,180,347,247
Receivables	1,418,160,955	-	-	447,840,302	-	1,866,001,257
Other current assets						
Advances to suppliers and contractors	100,242,335	-	-	-	-	100,242,335
Bidders and performance bond	46,086,800	-	-	-	-	46,086,800
Advances to officers	61,427,975	-	-	-	-	61,427,975
Advances to employees	27,598,076	-	-	-	-	27,598,076
Other noncurrent assets						
Rental and security deposits	101,360,548	-	-	-	-	101,360,548
Advances to officers	35,103,277	-	-	-	-	35,103,277
Advances to employees	11,085,245	-	-	-	-	11,085,245
Available for sale financial asset	200,000	-	-	-	-	200,000
	P 2,981,612,458	P -	P -	P 447,840,302	P -	P 3,429,452,760

	2014					Total
	Neither Past Due Nor Impaired				Past Due But Not Impaired	
	High Grade	Standard Grade	Substandard Grade			
Loans and receivables						
Cash in banks	P 1,055,957,449	P -	P -	P -	P -	P 1,055,957,449
Receivables	1,838,980,179	-	-	-	580,089,163	2,419,069,342
Other current assets						
Advances to suppliers and contractors	70,370,519	-	-	-	-	70,370,519
Bidders and performance bond	46,086,800	-	-	-	-	46,086,800
Advances to officers	35,743,321	-	-	-	-	35,743,321
Advances to employees	10,081,449	-	-	-	-	10,081,449
Other noncurrent assets						
Rental and security deposits	68,753,098	-	-	-	-	68,753,098
Advances to officers	37,817,813	-	-	-	-	37,817,813
Advances to employees	8,870,845	-	-	-	-	8,870,845
Available for sale financial asset	200,000	-	-	-	-	200,000
	P 3,172,861,473	P -	P -	P -	P 580,089,163	P 3,742,869,187

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

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

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

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

As at December 31, 2015 and 2014, the aging analysis per class of financial assets is as follows:

	2015					
	Total	Neither past due nor impaired	Past due but not impaired		Past due or individually impaired	Past due but not impaired
			0-60 days	over 60 days		
Loans and receivables						
Cash in banks	P 1,180,347,247	P 1,180,347,247	P -	P -	P -	P -
Receivables	1,866,001,257	1,418,160,955	156,744,106	291,096,196	-	-
Other current assets						
Advances to suppliers and contractors	100,242,335	100,242,335	-	-	-	-
Bidders and performance bonds	46,086,800	46,086,800	-	-	-	-
Advances to officers	61,427,975	61,427,975	-	-	-	-
Advances to employees	27,598,076	27,598,076	-	-	-	-
Other noncurrent assets						
Rental and security deposits	101,360,548	101,360,548	-	-	-	-
Advances to officers	35,103,277	35,103,277	-	-	-	-
Advances to employees	11,085,245	11,085,245	-	-	-	-
Available for sale financial assets	200,000	200,000	-	-	-	-
	P 3,429,452,760	P 2,981,612,458	P 156,744,106	P 291,096,196	P -	P -

	2014					
	Total	Neither past due nor impaired	Past due but not impaired		Past due or individually impaired	Past due but not impaired
			0-60 days	over 60 days		
Loans and receivables						
Cash in banks	P 1,055,957,449	P 55,957,449	P -	P -	P -	P -
Receivables	2,419,069,342	1,838,980,179	531,362,123	48,727,040	-	-
Other current assets						
Advances to suppliers and contractors	70,370,519	70,370,519	-	-	-	-
Bidders and performance bonds	46,086,800	46,086,800	-	-	-	-
Advances to officers	45,824,770	45,824,770	-	-	-	-
Advances to employees	35,743,321	35,743,321	-	-	-	-
Other noncurrent assets						
Rental and security deposits	68,753,093	68,753,093	-	-	-	-
Advances to officers	37,817,813	37,817,813	-	-	-	-
Advances to employees	8,870,845	8,870,845	-	-	-	-
Available for sale financial assets	200,000	200,000	-	-	-	-
	P 3,788,693,952	P 2,208,604,789	P 531,362,123	P 48,727,040	P -	P -

Liquidity Risk

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

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2015 and 2014 based on contractual undiscounted payments (principal and interest)

	2015					
	Total Carrying Value	On demand	Contractual undiscounted payments			
			Less than 1 year	1 to 5 years	> 5 years	
Trade payables	P 524,743,583	P -	P 524,743,583	P -	P -	P -
Trust receipts payable	137,914,838	-	137,914,838	-	-	-
Notes payable	2,166,856,333	-	2,166,856,333	-	-	-
Long-term loans (including current portion)	1,085,360,667	-	389,425,333	695,935,334	-	-
	P 3,914,875,421	P -	P 3,218,940,087	P 695,935,334	P -	P -

	2014					
	Total Carrying Value	On demand	Contractual undiscounted payments			
			Less than 1 year	1 to 5 years	> 5 years	
Trade payables	P 530,063,659	P -	P 530,063,659	P -	P -	P -
Trust receipts payable	125,856,665	-	125,856,665	-	-	-
Notes payable	2,308,600,000	-	2,308,600,000	-	-	-
Long-term loans (including current portion)	1,474,786,000	-	389,425,333	1,085,360,667	-	-
	P 4,439,306,324	P -	P 3,353,945,657	P 1,085,360,667	P -	P -

Interest Rate Risk

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

As at December 31, 2015 and 2014, the Group's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Group manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

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

		2015					
Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years			Total
Trust receipts payable	3.5%-6.0% P	137,915 P	- P	- P			137,915
Notes payable	4.0%-7.0%	2,166,856	-	-			2,166,856
Long-term loans	3.5%-6.0%	389,425	695,935	-			1,085,360
		P 2,694,196	P 695,935	- P			3,390,131

		2014					
Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years			Total
Trust receipts payable	3.5%-6.0% P	530,064 P	- P	- P			530,064
Notes payable	2.8%-6.0%	2,308,600	-	-			2,308,600
Long-term loans	3.3%-8.5%	389,425	778,851	306,510			1,474,786
		P 3,228,089	P 778,851	P 306,510			4,313,450

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

		2015		
Description	Increase/decrease in basis points	Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)	
Long term loans	+100bps	P235,509	P164,857	
	-100bps	(235,509)	(164,857)	

		2014		
Description	Increase/decrease in basis points	Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)	
Long term loans	+100bps	P153,086	P107,160	
	-100bps	(153,086)	(107,160)	

Price Risk

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

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

Foreign Exchange Risk

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

The Group holds foreign currency-denominated deposits amounting to P544,165,624 or U.S. \$11,537,100 as at December 31, 2015 and P441,277,192 or U.S. \$9,883,028 as at December 31, 2014, which can be affected by fluctuations of foreign currency exchange.

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

	2015		2014	
	Foreign currency	Peso Conversion	Foreign currency	Peso Conversion
US Dollar	7,568,212	P 357,749,398	5,633,023	P 251,514,468
Euro	92,850	4,819,822	105,978	5,785,336
Singapore Dollar	15,766	527,732	16,591	561,934
ZAR	42,642,136	157,349,481	41,533,856	160,320,686
RUB	17,909,694	23,712,435	17,629,594	23,094,768
	68,228,658	P 544,158,868	64,919,042	P 441,277,192

The Group also has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Group's functional currency. For years 2015 and 2014, approximately 11% and 12%, respectively of the Group's total sales are denominated in currencies other than the functional currency.

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

	2015		2014	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash in banks	\$11,537,100	P 544,158,868	\$9,833,028	P 441,277,192
Exchange rate		47.17		44.88

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

Description	Increase/decrease in basis points	Effect on income before income tax	
		Increase (decrease)	Effect on equity Increase (decrease)
2015	+10%	(P65,133)	(P45,593)
	-10%	65,133	45,593
2014	+10%	P59,212	P41,448
	-10%	(59,212)	(41,448)

33. Financial Assets and Liabilities

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

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(Amounts in Thousands)</i>				
Financial Assets:				
<i>Loans and receivables</i>				
Cash	P 1,280,977	P 1,280,977	P 1,100,802	P 1,100,802
Receivables	1,821,372	1,821,372	2,377,066	2,377,066
<i>Other current assets</i>				
Advances to suppliers and contractors	100,242	100,242	70,371	70,371
Bidders an performance bond	46,087	46,087	46,087	46,087
Advances to officers	61,428	61,428	45,825	45,825
Advances to employees	27,598	27,598	35,743	35,743
<i>Other noncurrent assets</i>				
Rental and security deposits deposits	101,361	101,361	68,753	68,753
Advances to officers	35,103	35,103	37,817	37,817
Advances to employees	11,085	11,085	8,871	8,871
Available-for-sale investment	200	200	200	200
	P 3,485,453	P 3,485,453	P 3,791,535	P 3,791,535
Financial Liabilities:				
<i>Other financial liabilities</i>				
Trade payables	P 524,744	P 524,744	P 530,064	P 530,064
Trust receipts payable	137,915	137,915	125,857	125,857
Notes payable	2,166,856	2,166,856	2,308,600	2,308,600
Long-term loans	1,085,361	1,085,361	1,474,786	1,474,786
	P 3,914,876	P 3,914,876	P 4,439,307	P 4,439,307

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, receivables, advances to suppliers and contractors, bidders and performance bonds, advances to officers and employees, trade payables and other current liabilities are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

Unquoted AFS financial assets are carried at cost, subject to impairment.

For non-current portion of advances to suppliers and contractors and advances to officers and employees, 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 noncurrent liabilities, the fair value is estimated on the discounted values of future cash flows using the applicable zero coupon rates.

Fair Value Measurement Hierarchy

As at December 31, 2015 and 2014, the Group has no financial instruments measured at fair value.

34. Other MattersDisclosure Requirements by SRC Rule 68

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

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



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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards of Auditing, the consolidated financial statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries (the 'Company') as at December 31, 2015 and for the year then ended, included in this Form 17-A, and have issued our report thereon dated April 12, 2016. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

TEODORO SANTAMARIA CANLAS & CO.


NOEL ANTONIO E. CANLAS
Partner signing for the firm

CPA License No. 090005
Valid until January 1, 2018
BOA/PRC Accreditation No. 5593
Valid until December 31, 2016
BIR A. N. 08-003408-3-2016
Valid until March 31, 2019
SEC Accreditation No. 1060-AR-I (Individual)
Valid until February 5, 2017
SEC Accreditation No. 0308-F (Firm)
Valid until February 15, 2018
T.I.N. 131-519-275
P.T.R. No. 5339446
February 13, 2016/Makati City

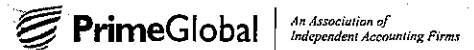
Makati City, Philippines
April 12, 2016



TEODORO SANTAMARIA CANLAS & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
156 H. V. Dela Costa Street, Salcedo Village
1226 Makati City, Philippines
Tels.: (632) 869-4309
(632) 856-3649
Tel/Fax No.: (632) 812-4202

Member:



**SUPPLEMENTAL WRITTEN STATEMENT
OF INDEPENDENT AUDITORS**

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

We have audited the consolidated financial statements of Euro-Med Laboratories Phil., Inc. (the 'Company') and Subsidiaries as at and for the year ended December 31, 2015, on which we have rendered the attached report dated April 12, 2016.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has five hundred twenty five (525) stockholders owning one hundred (100) or more shares each.

TEODORO SANTAMARIA CANLAS & CO.

NOEL ANTONIO E. CANLAS
Partner signing for the firm

CPA License No. 090005
Valid until January 1, 2018
BOA/PRC Accreditation No. 5593
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Makati City, Philippines
April 12, 2016

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

- Schedule 1 - Schedule of all the effective standards and interpretation
as at December 31, 2015
- Schedule 2 - Reconciliation of retained earnings available for dividend declaration
- Schedule 3 - Map of the relationships of the Companies within the Group
- Schedule 4 - Financial soundness indicators
- Schedule 5 - Schedule A to H

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards

Effective as at December 31, 2015

PFRS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as at December 31, 2015				
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Comments				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions from First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosure	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓

PFRS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Transitional Disclosures*	Not early adopted		
	Amendments to PFRS 7: Disclosures - Hedge Accounting*	Not early adopted		
PFRS 8	Operating Segments		✓	
PFRS 9	Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: Transition Disclosures*	Not early adopted		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an	Not early adopted		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation	Not early adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation	Not early adopted		
PFRS 12	Disclosure of Interest in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation	Not early adopted		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	Not early adopted		
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		

Philippine Accounting Standards

PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Financial Statement Disclosures*	Not early adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓

PRFS AND INTERPRETATIONS			Not	Not
Effective as at December 31, 2015		Adopted	Adopted	Applicable
PAS 17	Lease	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
(Revised)	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23	Borrowing Cost			✓
(Revised)				✓
PAS 24	Related Party Disclosures	✓		
(Revised)				
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
(Revised)				
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements*			✓
PAS 28	Investments in Associate and Joint Ventures			✓
(Revised)				
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*			✓
	28: Application of the Consolidation Exception*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*	Not early adopted		

PRFS AND INTERPRETATIONS				
Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Accounting of Forecast Intagroup Transactions			✓
	Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedge Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting*			✓
	PAS 40	Investment Property		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓

Philippine Interpretations

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instrument			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangement			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓

PRFS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as at December 31, 2015				
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC - 7	Introduction of the Euro			✓
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC - 15	Operating Lease -Incentives			✓
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC - 29	Disclosure			✓
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC - 32	Intangible Assets - Web Site Costs			✓

The standards and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2015 financial statements.

The standards and interpretations that are labelled as "Not Applicable" are already effective as at December 31, 2015 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

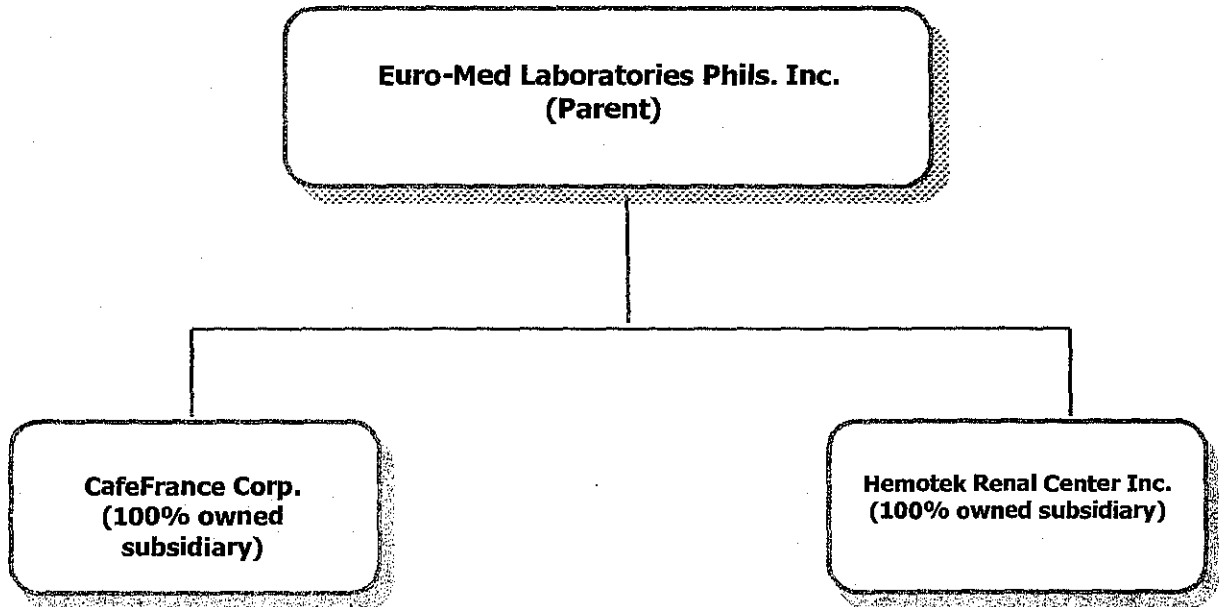
Schedule 2

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
AS AT DECEMBER 31, 2015**

Unappropriated Retained Earnings, beginning	P 766,038,969
Adjustment	
Adjustments in prior years	(47,119,804)
Unappropriated Retained Earnings, as adjusted, beginning	718,919,165
Net income based on the face of AFS	218,309,330
Less: Non-actual/unrealized income net of tax	
Recognized deferred income tax assets	(1,388,799)
Unrealized foreign exchange gain	-
Fair value adjustment	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Fair value adjustment of investment property resulting to loss	-
Net Income Actual/Realized	935,839,696
Less: Non-actual/unrealized income net of tax	
Dividends declared	(205,607,027)
Effects of prior period adjustments	-
Appropriation during the year	-
Unappropriated Retained Earnings, as adjusted, ending	P 730,232,669

Schedule 3

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT DECEMBER 31, 2015**



Schedule 4**FINANCIAL SOUNDNES INDICATORS
AS AT DECEMBER 31, 2015 AND 2014**

LIQUIDITY/SOLVENCY RATIO	2015	2014
CURRENT RATIO	1.39	1.49
LIQUIDITY RATIO	0.93	1.01
WORKING CAPITAL TO TOTAL ASSET	0.14	0.18
SOLVENCY RATIO		
DEBT-TO-EQUITY RATIO	0.84	0.94
ASSET TO EQUITY RATIO	1.84	1.94
NET DEBT TO EQUITY RATIO	0.58	0.72
SOLVENCY RATIO	0.10	0.11
PROFITABILITY RATIO		
INTEREST RATE COVERAGE RATIO	3.00	2.59
RETURN ON ASSETS	0.03	0.02
RETURN ON EQUITY	0.05	0.04
INTEREST MARGIN	0.01	0.01
GROSS PROFIT RATIO	0.32	0.30
PROFIT MARGIN	0.05	0.04

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

**Schedule A FINANCIAL ASSETS
As of December 31, 2015**

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule B Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
 (Other than Related Parties)
 As of December 31, 2015

DEDUCTIONS

Name and Designation of debtor (1)	Balance at beginning of period Jan. 01, 2015	Additions	Amount		Balance at end of period Dec. 31, 2015
			collected (2)	written off (3)	
Advances to Officers/Employees					
Salary loan	3,546,329	5,608,632	5,457,333		3,697,628
Cash advance (for liquidation)	18,531,005	17,600,073	12,505,592		23,625,486
Car/Housing	23,464,994	3,723,030	6,893,939		20,294,085
TOTAL ==>>>	45,542,328	26,931,735	24,856,864	-	47,617,199

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule C Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As of December 31, 2015

<i>Name of and Designation of debtor</i>	<i>Balance of Beginning of period Jan. 01, 2015</i>	<i>Additions</i>	<i>Amounts Collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Not Current</i>	<i>Balance at end of period Dec. 31, 2015</i>
1.) Hemotek Renal Center, Inc.	P 30,000,000	0	0		P 30,000,000		P 30,000,000
2.) CafeFrance Corp.	449,574,949	46,000,000			495,574,949		495,574,949
Total	479,574,949.00	46,000,000	-		525,574,949	0	525,574,949

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule D INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2015

<i>Description (1)</i>	<i>Beginning balance Jan. 1, 2015</i>	<i>Additions at cost (2)</i>	<i>Charged to cost & exp.(3)</i>	<i>Charged to other accounts</i>	<i>Other charges- additions/(deductions)</i>	<i>Ending balance Dec. 31, 2015</i>
1.) Trademarks and Licenses	223,399,836					223,399,836
2.) Patents/Rights	1,325,712		180,254			1,145,458
TOTAL	224,725,548	0	180,254	P	-	224,545,294

(2) The addition is stated at cost

(3) Deduction represents amount charged to operations.
Amortization is credited directly to patents/rights account.
Amortization is over a period of 20 years using straight line method.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule E **LONG TERM DEBT**
As of December 31, 2015

<i>Title of issue and type of obligation (1)</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term" in related balance sheet</i>	<i>Amount shown under caption "Long-term Debt" in related balance sheet (3)</i>
Promissory Note			<p style="text-align: center;">*</p> <p style="text-align: center;">P 695,935,334</p> <p>* Interest rates are based on T-bills plus spread. *Payable quarterly in Three(3) to five(5) years.</p>

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

**Schedule F Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
As of December 31, 2015**

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule G GUARANTEES OF SECURITIES OF OTHER ISSUERS (1) As of December 31, 2015

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

**Schedule H CAPITAL STOCK
As of December 31, 2015**

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



101052016000056



SECURITIES AND EXCHANGE COMMISSION

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

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Company Information

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Industry Classification
Company Type Stock Corporation

Document Information

Document ID 101052016000056
Document Type LETTER/MISC
Document Code LTR
Period Covered January 05, 2016
No. of Days Late 0
Department CED/CFD/CRMD/MRD/NTD
Remarks Consolidated changes in the ACG scorecard

COVER SHEET

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S.E.C. Registration

Number

E u r o - M e d L a b o r a t o r i e s

P h i l . , I n c .

(Company's Full Name)

P P L B u i l d i n g , 1 0 0 0 - 1 0 4 6

U n i t e d N a t i o n s A v e . M a n i l a

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

Janice R. Ong

 Contact Person

524-0091

 Company Telephone Number

CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE SCORECARD FOR YEAR 2015
PER SEC MEMORANDUM CIRCULAR NO. 2, SERIES OF 2014

1	2
---	---

 Month
 Fiscal Year

3	1
---	---

 Day

--	--	--	--

 Form Type

3RD WEDNESDAY OF JUNE

--	--

 Month

--	--

 Day
 Annual Meeting

--

 Secondary License Type, If Applicable

--	--	--

 Dept. Requiring this Doc.

--

 Amended Articles Number/Section

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 Total No. of Stockholders

Total Amount of Borrowings

<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 150px; height: 20px;"></td> </tr> </table>		<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 150px; height: 20px;"></td> </tr> </table>	
Domestic	Foreign		

To be accomplished by SEC Personnel concerned

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 File Number

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 Document I.D.

_____ Cashier

STAMPS



05 January 2016

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

RE : CONSOLIDATED CHANGES IN THE ACCR FOR YEAR 2015

Dear Dir. Callangan,

In compliance with SEC Memorandum Circular No. 12 dated 26 May 2014, we hereby advise you Consolidated Changes in the Annual Corporate Governance Scorecard for year 2015, to wit :

CHANGES IN MEMBERS OF AUDIT COMMITTEE

Dr. William G. Padolina	Chairman (Independent Director)
Mr. Edwin D. Feist	Member (Independent Director)
Dr. Evangeline V. Baviera	Member
Dr. Teodora D. Tan	Member
Dr. Johnny C. Yap	Member (new)

DESIGNATION CHANGES OF CORPORATE OFFICERS FOR YEAR 2015-2016

Dr. Tomas P. Maramba, Jr.	Honorary Chairman Emeritus
Dr. William G. Padolina	Chairman of the Board
Mr. Edwin D. Feist	Vice Chairman
Mr. Basilio C. Yap	Vice Chairman
Dr. Johnny C. Yap	Executive Vice President, Treasurer & Asst. Corporate Secretary
Mrs. Georgiana S. Evidente	President
Dr. Evangeline V. Baviera	Executive Vice President
Dr. Teodora D. Tan	Assistant Treasurer
Mrs. Bernadette M. Doctor	Assistant Treasurer
Mr. Enrique Raymond I. Yap	Assistant Treasurer
Mrs. Janice R. Ong	Corporate Secretary
Mr. Jose A. Emiterio	Senior Vice President
Mr. Arnold D. Ong	Senior Vice President
Mr. Michael Vincent Y. Yap	Vice President & Asst. Corporate Secretary
Mrs. Rosanna Marie S. Suñiga	Vice President
Mrs. Isleen Y. Sy	Vice President
Ms. Leonida C. Martin	Vice President
Mrs. Dinah D. Trivilegio	Vice President
Mr. Virgilio V. Leyeza, Jr.	Vice President
Mr. Danilo M. Lorico	Vice President
Mrs. Sandra N. Pineda	Chief Accountant

APPOINTMENT OF NEW EXTERNAL AUDITOR FOR YEAR 2015-2016

Teodoro Santamaria Canlas & Co., CPAs



Euro-Med Laboratories Phil., Inc.

VOTING RESULT OF THE LAST ANNUAL GENERAL MEETING 17 JUNE 2015

Name of Director	Votes Received
Dr. William G. Padolina	3,765,099,817
Mr. Edwin D. Feist	3,765,099,817
Mrs. Georgiana S. Evidente	3,765,099,817
Dr. Johnny C. Yap	3,765,099,817
Dr. Evangeline V. Baviera	3,765,099,817
Dr. Teodora D. Tan	3,765,099,817
Mr. Michael Vincent Y. Yap	3,765,099,817
Dr. Emilio C. Yap III	3,765,099,817
Mr. Basilio C. Yap	3,765,099,817
Atty. Francis Y. Gaw	3,765,099,817

DATE OF RELEASE OF AUDITED FINANCIAL REPORT : 14 APRIL 2015

DIVIDENDS

Declaration Date	Record Date	Payment Date
May 26, 2015 (cash dividend declaration)	June 18, 2015	July 10, 2015

STOCKHOLDERS' PARTICIPATION

- 1) Date of the Annual/Special Stockholders' Meeting: 17 June 2015
- 2) Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of Previous Meeting of Shareholders	3,765,099,817		
Ratification of All Acts, Proceedings, Transactions and Resolutions of BODs and Officer of the Corporation from the last Annual Shareholders Meeting	3,765,099,817		
Election of Board of Directors for year 2015-2016	3,765,099,817		
Appointment of External Auditor for year 2015-2016	3,765,099,817		

Thank you.

EURO-MED LABORATORIES PHIL., INC.

By :



JANICE R. ONG
Corporate Secretary

SECRETARY'S CERTIFICATE

The undersigned Corporate Secretary of **EURO-MED LABORATORIES PHIL., INC.**, a corporation duly organized and existing under and by virtue of Philippine laws, with principal office at PPL Bldg., 1000 United Nations Avenue, Manila, after having been duly sworn in accordance with law, and in compliance with SEC Memorandum Circular No. 12, series of 2014, does hereby certify that the following Board Resolutions and/or Minutes of the Corporation were unanimously adopted (with excerpts thereof cited), with regards to Consolidated Changes in the Annual Corporate Governance Scorecard (ACGR), of the corporation for the year 2015:

1) Changes in Members of Audit Committee, with the following excerpts thereof:

Resolution No. 15-06-002

"RESOLVED, to appoint the following directors as members of the Audit Committee who shall serve as such for the ensuing year, namely:

Dr. William G. Padolina	Independent Director (Chairman)
Mr. Edwin D. Feist	Independent Director
Dr. Teodora D. Tan	Director
Dr. Evangeline V. Baviera	Director
Dr. Johnny C. Yap	Director

2) Designation Changes of Corporate Officers for year 2015-2016, with the following excerpts thereof:

Resolution No. 15-06-001

"RESOLVED, to appoint the following as officers of the Corporation who shall serve as such for the ensuing year, namely:

Dr. Tomas P. Maramba, Jr.	Honorary Chairman Emeritus
Dr. William Padolina	Chairman of the Board
Mr. Basilio C. Yap	Vice Chairman
Mr. Edwin D. Feist	Vice Chairman
Dr. Johnny C. Yap	Executive Vice President, Treasurer and Asst. Corporate Secretary
Mrs. Georgiana S. Evidente	President
Dr. Evangeline V. Baviera	Executive Vice President
Dr. Teodora D. Tan	Assistant Treasurer
Mrs. Bernadette M. Doctor	Assistant Treasurer
Mr. Enrique Raymond I. Yap	Assistant Treasurer
Mrs. Janice R. Ong	Corporate Secretary
Mr. Jose A. Emitterio	Senior Vice President
Mr. Arnold D. Ong	Senior Vice President
Mr. Michael Vincent Y. Yap	Vice President & Asst. Corporate Secretary
Mrs. Rosanna Marie S. Suñga	Vice President
Mrs. Isleen Y. Sy	Vice President
Mrs. Dinah D. Trivilegio	Vice President
Mr. Virgilio V. Leyeza, Jr.	Vice President
Mrs. Sandra N. Pineda	Chief Accountant

3) **Appointment of New External Auditor for year 2015-2016, with the following excerpts thereof :**

"RESOLVED, on the appointment of Teodoro Santamaria Carlas & Co., CPAs as the new external auditor for the year 2015-2016 as per Board Resolution No. 15-05-001, which Resolution was unanimously adopted by the Board at its meeting held on 26 May 2015 and was concurred in and ratified by the stockholders at the last Annual Stockholders Meeting held on 17 June 2015."

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

Resolution No. 15-04-002

"RESOLVED, to approve and authorize the issuance of the Corporation's Audited Financial Statements as of and for the year ended 31 December 2014."

5) **Dividend Declaration, with the following excerpts thereof:**

Resolution No. 15-05-002

"RESOLVED, to approve the declaration of cash dividend of ₱0.05 per share to be taken from the unrestricted retained earnings of the Corporation as of 31 December 2014, to all stockholders of record as of 18 June 2015 and payable on 10 July 2015."

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

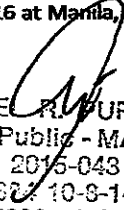
"Over 91% of the 4,112,114,540 total outstanding shares were present in person and represented by proxy. Less than 8% of the 4,112,114,540 total outstanding shares.

04 January 2016, Manila, Philippines.


JANICE R. ONG
Corporate Secretary

SUBSCRIBED AND SWORN to before me on this day of 04 January 2016 at Manila, affiant exhibiting to me her TIN No. 109-733-261.

Doc. No. 67
Page No. 76
Book No. 76
Series of 2016.


ATTY. ANGEL R. PURISIMA, III
Notary Public - MANILA
Commission No. 2015-043 until 12-31-16
IBP No. 075302 10-8-14 for 2015
PTR No. 0013006 10-9-14 for 2016
ROLL NO. 20567
MCLE IV 0017387 April 17, 2013
U/F Godino Bldg.
350 A. J. Villegas St., Ermita, Mla. 1000
Tel. No. 4821764 / 3104505

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Janice R. Ong Contact Person

524-0091 Company Telephone Number

ANNUAL CORPORATE GOVERNANCE REPORT FOR YEAR 2015

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Month
Fiscal Year

3	1
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Day

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Form Type

0	6
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Month

1	5
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Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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STAMPS

SECURITIES AND EXCHANGE COMMISSION

UPDATE – SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **EURO-MED LABORATORIES PHIL., INC.**
3. **PPL Building, 1000 United Nations Avenue corner San Marcelino St., Manila** **1000**
Address of Principal Office Postal Code
4. SEC Identification Number **148022**
5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number **000-288-655-000**
7. **(02) 5240091 - 98**
Issuer's Telephone number, including area code
8. **N/A**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Ten (10)
---	----------

Actual number of Directors for the year	Ten (10)
---	----------

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Dr. William G. Padolina	ID	U.S. Automotive Co., Inc.	Dr. Johnny C. Yap	1999	June 17, 2015 (number of years served as ID – 16 years)	June 17, 2015 (Annual)	16
Mr. Edwin D. Feist	ID	U.S. Automotive Co., Inc.	Dr. Johnny C. Yap	2010	June 17, 2015 (number of years served as ID – 5 years)	June 17, 2015 (Annual)	5
Mrs. Georgiana S. Evidente	ED	N/A	Dr. William G. Padolina (no relation to the nominee)	1993	June 17, 2015	June 17, 2015 (Annual)	22
Dr. Johnny C. Yap	ED	N/A	Mrs. Georgiana S. Evidente	1994	June 17, 2015	June 17, 2015 (Annual)	21
Dr. Evangeline V. Baviera	ED	N/A	Mrs. Georgiana S. Evidente	1996	June 17, 2015	June 17, 2015 (Annual)	19
Dr. Teodora D. Tan	ED	N/A	Mrs. Georgiana S. Evidente	1990	June 17, 2015	June 17, 2015 (Annual)	25
Mr. Michael Vincent Y. Yap	ED	N/A	Dr. William G. Padolina (no relation to the nominee)	2013	June 17, 2015	June 17, 2015 (Annual)	2
Mr. Basilio C. Yap	ED	N/A	Dr. William G. Padolina (no relation to the nominee)	2014	June 17, 2015	June 17, 2015 (Annual)	1
Atty. Francis Y. Gaw	ED	N/A	Dr. William G. Padolina (no relation to the nominee)	2014	June 17, 2015	June 17, 2015 (Annual)	1
Dr. Emilio C. Yap III	ED	N/A	Mrs. Georgiana S. Evidente	2014	June 17, 2015	June 17, 2015 (Annual)	1

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority

¹ Reckoned from the election immediately following January 2, 2012.

shareholders and of other stakeholders, disclosure duties, and board responsibilities.

“The Company’s Manual of Corporate Governance (MCG) for the commitment to respect the rights and protection of its stockholders, such as :

1. Rights of minority interest
2. Voting rights
3. Pre-emptive Right
4. Power of Inspection
5. Right to Information
6. Right to propose the holding of a meeting and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes
7. Right to Dividends
8. Appraisal Report

The MCG requires that all reports and disclosures shall be prepared and submitted to the Securities and Exchange Commission (SEC) by the responsible Committee on officer through the Corporate Secretary.

The Board of Directors of the Company shall be primarily responsible for ensuring compliance by the Corporation with the principles of good corporate governance enunciated in its MCG. It shall be the Board’s responsibility to foster the long term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholder and other stakeholder. The Board shall conduct itself with utmost honest and integrity in the discharge of its duties, functions and responsibilities.

(c) How often does the Board review and approve the vision and mission? *Annually*

(d) Directorship in Other Companies

(i) Directorship in the Company’s Group²

Identify, as and if applicable, the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

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

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director’s Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if
-----------------	------------------------	---

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

		director is also the Chairman.
N/A		

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

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

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Not to have directorship outside of the Group.	N.A.
Non-Executive Director	To comply with the SEC limit of five board seats in other publicly listed companies.	5
CEO	Not to have directorship outside of the Group.	N.A.

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Dr. William G. Padolina	20,564	N.A	.0005
Mr. Edwin D. Feist	11,607	N.A	.0003
Mrs. Georgiana S. Evidente	1,285,052	N.A	.0313
Dr. Johnny C. Yap	36,980,720	N.A	.8993
Dr. Evangeline V. Baviera	41,645	N.A	.0010
Dr. Teodora D. Tan	11,607	N.A	.0003
Mr. Michael Vincent Y. Yap	15,257,017	N.A	.3710
Dr. Emilio C. Yap III	35,695,668	20,160,030	.8681
Mr. Basilio C. Yap	20,564	20,160,030	.0005
Atty. Francis Y. Gaw	82,249	N.A	.0020

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes No

Identify the Chair and CEO:

Chairman of the Board	Dr. William G. Padolina
CEO/President	Mrs. Georgiana S. Evidente

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Please see below	
Accountabilities		
Deliverables		

Chairman (Article VI, Section 6 of By-Laws)

- The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors and exercise such other power and perform such other duties as the Board of Directors may from time to time fix or delegate.

Chief Executive Officer (Article VI, Section 8 of the By-Laws)

- The President shall be the Chief Executive Officer of the Corporation and subject to the control of the Board of Directors, shall have the following powers and duties.
- To exercise, subject to the control of the Board of Directors, general supervision and direction of the business and affairs of the Corporation, and to see to it that the resolutions and instructions of the Board of Directors are properly executed and carried out.
- To submit an annual report on the operation of the Corporation to the stockholders at the annual meeting and to the Board such statements, reports, memorandum and account as the Board of Directors may request from time to time.
- To sign the certificates of stock of the Corporation, and
- To exercise such other powers and perform such other duties as are incident to his office or which the Board may from time to time fix or delegate.

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Under the Company's By-Laws (Article VI, Sections 2,3, 4 and 5), the Chairman, Vice Chairman and the top key management positions shall be elected annually by the Board of Directors, each of whom shall hold office until his successor is elected and qualified in his stead or until he shall have been resigned or shall have been removed from office in the manner herein provided. Such officers as may from time to time be elected or appointed by the Board of Directors shall hold officer for such period, have such authority and perform such duties as are provide in the By-Laws or as the Board may determine.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause may be filled for the unexpired portion of the term by the Board of Directors.

The Nomination Committee adheres to the principle of "competence and experience" in succession planning. In evaluating candidates, the maturity of character and ability to effectively assimilate into the company's culture are critical. One evaluated, the recommendation is forwarded to the Board for consideration and approval.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes, under the Company's MCG (Section 2.1.2.1), the Board shall install a process of selection to ensure a mix of competent directors and officers. Adopt an effective succession program for Management.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, under the Company's MCG (Section 2.1.3.6), a Director must have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Please see below		
Accountabilities			
Deliverables			

Executive :

- The role of the Executive is to ensure that aside from his responsibilities as a Director, that the day to day management of the Corporation is sound and in accordance with the Company's objectives. He is also expected to serve as the liaison between the Management and the Board.

Non-Executive :

- He's role is to uphold his duties and responsibilities as a member of the Board of Directors.

Independent Director :

- He is expected to provide the Board with discussion through independent thinking, ideas and judgement.

Under the Corporation's MCG, it is the Board's general responsibility to :

1. Install a process of selection to ensure a mix of competent directors and officers. Adopt an effective succession planning program for Management.
2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies including the business plans, operating budgets and Management's overall performance.
3. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
4. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.
5. Adopt and formulate a clear policy on communicating or relating with all the shareholders of the Corporation, and not only its major stockholders, through an effective investor relations program.
6. Identify the sectors in the community in which the corporation operated or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communication with them.
7. Adopt a system of internal checks and balances.
8. Identify key risk areas and key performance indicators and monitor these factors with due diligence.
9. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of

interlocking director relationships by members of the Board.

10. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted; and
11. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.
12. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders and the corporation and third parties including the regulatory authorities.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company adheres to the definition and requirements of independence for an independent director as provided in Securities and Regulation Code (SRC) Rule # 38.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Please see below	
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors		
(ii) Non-Executive Directors		

(iii) Independent Directors		
e. Removal		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		

The Corporation's procedures for the (a) Selection/Appointment and (b) Re-Appointment are as follows :

- For (i) Executive Directors, (ii) Non-Executive Directors and (iii) Independent Directors and Process Adopted :

Members of the Board of Directors are nominated by the Nomination Committee and elected at the Annual Stockholders' Meeting to serve for a term of (1) year until their successors are duly elected and qualified.

The Nominations Committee reviews and evaluates all nominees if qualified based on the criteria per MCG of the Company.

Per Company's MCG, each of the Director shall possess the qualifications and none of the disqualifications as follows :

Qualifications :

- a.1. Holder of at least one (1) share of stock of the Corporation;
- a.2. He or she shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- a.3. He or she shall be at least twenty one (21) years old;
- a.4. He or she shall have proven to possess integrity and probity; and
- a.5. He or she shall be assiduous

Disqualifications :

- b1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director, or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activities involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation, or association with a member or participant of the organization;

- b.3. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- b.4. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission, or any rule, regulation or order of the Commission;
- b.5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- b.6. Any person judicially declared to be insolvent;
- b.7. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- b.8. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his or her election or appointment.

Per Company's By-Laws, in addition the qualifications of a Director, an individual nominated as an independent director should meet the qualifications and none of the disqualifications as follows :

Qualifications :

- c.1. He or she shall be at least a college graduate or he or she shall have been engaged or exposed to the business of the Corporation for at least five (5) years.
- c.2. He or she shall possess integrity/probity.
- c.3. He or she shall be assiduous.

Disqualifications :

- d.1. Those convicted by final judgement of an offense punishable by imprisonment for a period exceeding six (6) years or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his/her election, without prejudice to such other disqualifications which the Corporation's Manual on Corporate Governance provides.
- d.2. He or she owns more than two percent (2%) of the total outstanding proprietary membership of the Corporation and/or its related companies or any of its substantial shareholders..
- d.3. Fails without any justifiable cause, to attend at least 50% of the total number of regular meetings of the Board during his incumbency.
- d.4. Such other disqualifications which the Corporation's Manual of Corporate Governance may now or hereafter provide.
- d.5. Is not a director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders except when the same shall be as an independent director of any of the foregoing. For purposes of determining the independence of a director, the term officer shall refer to persons employed by the Corporation for an executive or management position with line or management responsibilities and excludes the by law officers mentioned herein.
- d.6. Is not related to any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister.
- d.7. Is not acting as a nominee or representative of any director or substantial shareholder of the Corporation, and/or anyof its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.
- d.8. Has not been employed in any executive capacity by the Corporation, any of its related companies and/or by any of its substantial shareholders within the last two (2) years.
- d.9. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Corporation, any of its related companies and/or any of its substantial shareholders, within the last two (2) years; or.
- d.10. Has not engaged and does not engage in any transaction with the Corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

The Corporation's procedures for the (c) Permanent Disqualification, (d) Temporary Disqualification, (e) Removal (f) Re-instatement and (g) Suspension are as follows :

- For (i) Executive Directors, (ii) Non-Executive Directors and (iii) Independent Directors and Process Adopted :

The Nomination Committee shortlists, assesses and evaluates all nominees to the Board in accordance with the qualification and disqualification criteria set out in the company's MCG and By-Laws and other relevant laws.

The grounds for permanent/temporary disqualification, removal and suspension are as follows :

- 2.1.5.1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- 2.1.5.2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director, or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activities involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation, or association with a member or participant of the organization;

- 2.1.5.3. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- 2.1.5.4. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission, or any rule, regulation or order of the Commission;
- 2.1.5.5. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- 2.1.5.6. Any person judicially declared to be insolvent;
- 2.1.5.7. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and
- 2.1.5.8. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his or her election or appointment.

The Corporation's procedures for the (f) Re-Instatement of the Directors are as follows :

- For (i) Executive Directors, (ii) Non-Executive Directors and (iii) Independent Directors and Process Adopted and Criteria :

The Corporation applies the same process and criteria used in the selection/appointment of directors per above for their reinstatement.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Dr. William G. Padolina	3,765,099,817
Mr. Edwin D. Feist	3,765,099,817
Mrs. Georgiana S. Evidente	3,765,099,817
Dr. Johnny C. Yap	3,765,099,817
Dr. Evangeline V. Baviera	3,765,099,817
Dr. Teodora D. Tan	3,765,099,817
Mr. Michael Vincent Y. Yap	3,765,099,817
Dr. Emilio C. Yap III	3,765,099,817
Mr. Basilio C. Yap	3,765,099,817
Atty. Francis Y. Gaw	3,765,099,817

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.
- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

Majority of the Company's directors and officers have attended the Corporate Governance seminar conducted by the Institute of Corporate Directors held on October 17, 2015.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. None

Name of Director/Officer	Date of Training	Program	Name of Training Institution

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Please see below		
(b) Conduct of Business and Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-public Information			
(f) Use of Company Funds, Assets and Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action			
(i) Whistle Blower			
(j) Conflict Resolution			

Conflict of Interest - No Conflict of Interest

Conduct of Business and Fair Dealings - Per Company's MCG, directors, officers/employees should conduct fair business transactions with the corporation and to ensure that personal interest does not bias their decisions.

Receipt of gifts from third parties - N.A.

Compliance with Laws & Regulations - Per Company's MCG, the Board of Directors have to ensure that the Corporation complies with all

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

relevant laws, regulations and codes of best business practices and require the management and employees to proper implementation.

Respect for Trade Secrets/Use of Non-public Information - To respect at all times the confidentiality of any trade secrets and confidential business information except when required by law or approval of management.

Use of Company Funds, Assets and Information - All usage of funds, assets and information of the Company should have proper board and management approval and should pass the normal processes required for control purposes.

Employment & Labor Laws & Policies - To follow all employment/labor laws and policies at all times.

Disciplinary action - All disciplinary action should pass the due process procedures and approved by the board and/or the concerned officers, as the case maybe.

Whistle Blower - All actions should pass the due process procedures and approved by the board or management as the case maybe.

Conflict Resolution - Per Company's MCG, the Board of Directors shall establish and maintain alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation, stockholders, third parties including regulatory authorities.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Reminders are issued from time to time and Internal Auditors are required to conduct special audits as needed.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Disclosure through Annual Report
(2) Joint Ventures	All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership
(3) Subsidiaries	All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership
(4) Entities Under Common Control	All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership
(5) Substantial Stockholders	All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership
(6) Officers including spouse/children/siblings/parents	Compliance with Sec 32-33 of Corporation Code
(7) Directors including spouse/children/siblings/parents	Compliance with Sec 32-33 of Corporation Code
(8) Interlocking director relationship of Board of Directors	Compliance with Sec 32-33 of Corporation Code

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	None
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
U.S. Automotive Co., Inc.	Major stockholder	Interlocking Director/officers; Lessor
USAUTOCO Inc.	Major stockholder	Interlocking Director/officers;
Philippine Trust Company	Major stockholder	Bank deposits
Evergreen Stock Brokerage & Securities Inc.	Major stockholder	Stockholder

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None		

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	None
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year? Every 3rd Tuesday of the month
- 2) Attendance of Directors – (for year 2015)

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman/Independent	Dr. William G. Padolina	June 17, 2015	12	12	100%
Member	Mr. Johnny C. Yap	June 17, 2015	12	12	100%
Member	Mrs. Georgiana S. Evidente	June 17, 2015	12	9	75%
Member	Dr. Evangeline V. Baviera	June 17, 2015	12	10	83%
Member	Dr. Teodora D. Tan	June 17, 2015	12	12	100%
Member	Mr. Michael Vincent Y. Yap	June 17, 2015	12	10	83%
Member/Independent	Mr. Edwin D. Feist	June 17, 2015	12	10	83%
Member	Mr. Basilio C. Yap	June 17, 2015	12	12	100%
Member	Dr. Emilio C. Yap III	June 17, 2015	12	12	100%
Member	Atty. Francis Y. Gaw	June 17, 2015	12	12	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? No
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

As per the Company's By-Laws, Section 6 under Quorum and Manner of Acting. Except as otherwise provided by statute, by the Articles of Incorporation or by these By-Laws, a majority of the number of directors specified in the Articles of Incorporation shall constitute a quorum for the transaction of business at any meeting, and the affirmative vote of a majority of the number of directors specified in the Articles of Incorporation shall be required in order to effect any corporate act. In the absence of a quorum a majority of the directors present may adjourn any meeting from time to time until a quorum is had. Notice of any adjourned meeting need not be given. (Renumbering as necessitated by amendments approved by a majority of the members of the Board of Directors at the meeting held on 26 April 2006 and by an affirmative vote of at least two-thirds (2/3) of the outstanding capital stock at the meeting held on 17 May 2006.)

5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board? 7 days

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets,

- (b) Do board members have independent access to Management and the Corporate Secretary? Yes
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

As per the Company's MCG, following is the Corporate Secretary's duties and responsibilities :

- c.1 The Corporate Secretary is an officer of the Corporation. His or her loyalty to the mission, vision and specific business objectives of the corporate entity come with his or her duties.
- c.2 The Corporate Secretary shall be a Filipino citizen.
- c.3 Considering his or her varied functions and duties, he or she must possess administrative and interpersonal skills, and if he or she is not the general counsel, then he or she must have some legal skills. He or she must also have some financial and accounting skills.
- c.4 Duties and Responsibilities
- c.4.1 Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- c.4.2 As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting.
- c.4.3 Assist the Board members in making business judgment in good faith and in the performance of their responsibilities and obligations.
- c.4.4 Attend all Board meetings and maintain record of the same.
- c.4.5 Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.
- c.4.6 If he is not at the same time the Corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- c.4.7 Have a working knowledge of the operations of the Corporation;
- c.4.8 Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have been before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. Yes

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	None
Audit	Board papers and other relevant information are provided to the Board at least seven (7) days before the meeting. The Audit Committee may refer to the Internal Auditor, External Auditor, Corporate Secretary or any department , should the need arise.
Nomination	Board papers and other relevant information are provided to the Board at least seven (7) days before the meeting. Nomination Committee members may refer to the Corporate Secretary, Personnel Department or any department should the need arises. Should the committee members need information or assistance from external consultants, they may request for such through the Corporate Secretary.
Remuneration	None
Others (specify)	None

forecasts and internal financial documents.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details

The Directors may seek external advice by requesting consultancy services through the Corporate Secretary.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration		
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

All compensation items are subject for approval by the Management and/or the Board.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors			
Non-Executive Directors			

All compensation packages are subject to approval by the Management and/or the Board. Compensation are calculated considering the salaries of competitive industries. Except for per diems of ₦30,000.00 for the Chairman, ₦20,000.00 for the Vice Chairman and ₦10,000.00 per director per Board meeting, there are no other arrangement for compensation of Non-Executive Directors.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N.A.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None	None	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	None	None
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	To be paid as mandated by law upon retirement.		
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	Health Insurance (In-Patient/Out-Patient Benefits)		
(g) Car Plan Loan	350,000.00	None	None
(h) Others (Specify)	None	None	None
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management (2015)

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Jose A. Emitterio – SVP	₱ 5,182,656.39
Arnold D. Ong – SVP	
Virgilio V. Leyeza, Jr. – VP	
Isleen Y. Sy – VP	
Sandra N. Pineda – Chief Accountant	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	N/A						
Audit	3		2	/			

Nomination	2		1	x			
Remuneration	N/A						
Others (specify)							

Audit Committee

I. Functions and Responsibilities :

A. Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to audit committee members.

B. Internal Control

- Consider the effectiveness of the organization's internal control system, including information technology, security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

C. Internal Audit

- Review with management and the Head of Internal Audit Department the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head, Internal Audit Dept.
- At least once per year, review the performance of the Head, Internal Audit Dept. and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the Head of Internal Audit Department to discuss any matters that the committee or internal auditing believes should be discussed privately.

D. External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- Review the performance of the external auditors and exercise final approval on their appointment or discharge.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including nonaudit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

E. Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance therewith.
- Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

F. Reporting

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication among internal auditing, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the audit committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of nonaudit services.

- Review any other reports the organization issues that relate to the audit committee responsibilities.

G. Other Responsibilities

- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the audit committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the audit committee's and individual members' performance on a regular basis.

II. The Authority :

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and nonaudit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees — all of whom are directed to cooperate with the committee's requests — or external parties.
- Meet with the organization's officers, external auditors, or outside counsel as necessary.

Nominations Committee

I. Functions and Responsibilities :

Per Company MCG, the committee shall govern the conduct of the nomination of the members of the Board which guidelines/criteria shall be properly disclose in the Corporation's information or proxy statement.

II. The Authority :

The committee shall pre-screen the qualifications and prepare a final list of all candidates for the membership of the Board.

2) Committee Members

(a) Executive Committee - None

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	None					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. William G. Padolina	June 17, 2015	4	4	100%	6
Member (ED)	Dr. Teodora D. Tan	June 17, 2015	4	4	100%	6
Member (ED)	Dr. Evangeline V. Baviera	June 17, 2015	4	4	100%	6
Member (ID)	Mr. Edwin D. Feist	June 17, 2015	4	4	100%	6
Member (ID)	Dr. Johnny C. Yap	June 17, 2015	4	4	100%	6

Disclose the profile or qualifications of the Audit Committee members.

Audit Committee members are financially literate and possess independence in judgement.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee's responsibility relative to external auditor are :

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- Review the performance of the external auditors and exercise final approval on their appointment or discharge.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the organization, including nonaudit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Mr. Johnny C. Yap	June 17, 2015	1	1	100%	7
Member (ED)	Mrs. Georgiana S. Evidente	June 17, 2015	1	1	100%	7
Member (ID)	Dr. William G. Padolina	June 17, 2015	1	1	100%	7
Member (NED)						
Member						

(d) Remuneration Committee - None

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

(e) Others (Specify) - None

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	
Audit		

Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	
Audit	<p>Reviewed and approved the following with regard to external and internal auditors :</p> <ul style="list-style-type: none"> • Audit plan, scope and timetable, • Result of audit, and • Assessment of internal controls and financial reporting <p>Reviewed external auditor's report on significant accounting issues, changes in accounting standards and relevant tax regulations.</p> <p>Reviewed and approved all audit services provided by external auditors and related audit fees.</p> <p>Reviewed and ensured the Company's related party transactions are conducted at arm's length basis.</p>	Implement the action plans based on results of the meeting.
Nomination	The committee ensures that those nominated to the Board meet the requirements set forth in the Company's MCG and By-Laws.	The qualifications of the Board Members are in accordance with the requisites of the Company.
Remuneration	N/A	
Others (specify)	N/A	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	
Audit	<p>Distribution Efficiency Management</p> <p>Quality assurance of internal audit department.</p> <p>Marketing and collection efficiency management.</p>	<p>Prompt, courteous and efficient delivery to customers.</p> <p>Continuous quality improvement of internal audit department.</p> <p>Improvement on collection and sales efficiency.</p>
Nomination	<p>Enhance the process for the selection of directors who can add value and contribute independent judgement.</p> <p>Identify areas for improvement of the members of the Board such as training/education/other needs in the performance of their duties.</p>	Continuous improvement on the effectivity of the Board.
Remuneration	N/A	
Others (specify)	N/A	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors’ criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

The Board of Directors (BOD) of the Company has overall responsibility for the establishment and oversight of the Risk Management System. The BOD has delegated to the senior management the responsibility for developing and monitoring the Company’s risk management policies. The Management reports to the BOD on its activities, as needed. The senior management is assisted in its oversight role by the Internal Audit Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company’s senior management.

2) Risk Policy

(a) Company

Give a general description of the company’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Safety and Security Risk	The safety and security risk management policy requires the identification of all company assets and assessment of threats and risks thereto in order to implement appropriate actions.	Promote and protect the safety and security of employees, customers and associates.
Information Security Risk	The information security risk management policy requires a process to deploy suitable countermeasures to reduce information security risks and protect the information assets.	Ensure the confidentiality, integrity and availability of the Company’s information systems and its infrastructure.
Financial Risks	The financial risk management policy sets out the principles and acceptable techniques for mitigating or managing identified financial risks.	Mitigate or manage risks arising from (a) exposure to changes in interest rates and foreign exchange rates, (b) actions of and transactions with customers and (c) internal actions of the Company.
Regulatory Compliance Risk	The risk management policy provides that compliance are adequate.	Ensure that all offices are complying with required regulatory permits and licenses.

(b) Group

Give a general description of the Group’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
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The following mother risk management policy applies to all the subsidiaries of the Group :

1. Establish a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving goals and objectives.
2. To protect and preserve :

- Our employee's and clients' safety and welfare
- The value and condition of properties and assets
- Our local and global reputation

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<p>Listed are the generally accepted risk to minority shareholders of family-owned corporations in the Philippines :</p> <ul style="list-style-type: none"> • Majority shareholders may dominate major Company decisions. • Lack of transparency on the actions and decisions of majority shareholders. • Abusive and inequitable conduct on the part of majority shareholders. • Rights of minority shareholders may not be upheld and protected. <p>The Company adopts certain measures that ensure that the aforementioned risks are mitigated such as cumulative voting.</p>

3) Control System Set Up

(a) Company and (b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Safety and Security Risk	Annual evaluation by the Chief Security Officer	Personnel department are trained to respond to safety and security incidents.
Financial Risks	Regular monitoring of interest and forex rates, financial ratios and ageing of accounts receivables.	For interest rate risks : Use of both fixed and floating rate debts; interest rate swaps; NDFs, refinancing or prepayment of high interest loans. Credit Risk : Screening of customers and AR management (Collection agency). Capital Management Risk : Maintain approved debt to equity ration.
Information Security Risk	The information technology department monitors compliance with information security policy and incidents of information security breaches.	Implementation of control passwords and changes as needed.
Regulatory Compliance Risk	The internal audit department conducts audit of compliance with required permits and licenses.	Audit checklist includes validation of regulatory compliance. Monitoring of renewal of necessary permits and licenses.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Senior Management	Feedback Reports	Reports to the Board of Directors
Internal Audit	Audit Reports	Reports to the Senior Management

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

Internal control is defined as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories : a) effectiveness and efficiency of operations; b) reliability of financial reporting; and c) compliance with laws and regulations.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The result of the 2015 Internal Audit Control assessment has been presented to the Audit Committee,. Based on the assessment, Internal Control in the company is strong which the Audit Committee concurs with.

(c) Period covered by the review;

Year 2015

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The assessment of internal controls is preferably done after every two years or when there are significant changes that would entail revision or enhancement of existing controls. The criteria for internal control assessment is based on the current auditing principles.

(e) Where no review was conducted during the year, an explanation why not. N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal	As provided in the duly approved Audit Committee Charter : The scope of work of the internal audit is to determine whether the organization's network of risk management, control and governance processes, as designed and represented by management, is adequate and	In-house	Mr. Jose A. Emiterio, SVP (Audit)	The Internal Audit reports functionally to the Audit Committee and administratively to the Management, its activities are guided and performed in accordance with the revised "Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed

control and governance process.	<p>functioning in a manner to ensure that :</p> <ul style="list-style-type: none"> • Risks are appropriately identified and managed; • Significant financial, managerial and operating information is accurate, reliable and timely; • Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; • Resources are acquired economically, used efficiently and adequately protected; • Significant legislative or regulatory issues impacting the organization are recognized and addresses appropriately; and • Interaction with various governance groups occurs as needed; <p>Opportunities for improving management control, profitability, and the organization's image which are identified during the audits shall be communicated to the management.</p>			by the Institute of Internal Auditors and/or any other auditing standards as may be adopted by the Internal Audit.
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(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Internal Auditor(s) appointment or removal is vested in the Audit Committee. For other services, the Audit Committee Charter provides that the Audit Committee : Recommend to the Board appointment, compensation and oversee the work of any registered public accounting firm employed by the organization (i.e. external auditors).

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The following are provided in the Audit Committee Charter :

- The Committee shall ensure the existence of a working internal audit group, which shall be headed by a competent manager, to identify audit issues, propose resolutions to these issues and provide reasonable assurance that key organizational and procedural controls as promulgated by Management are effective,, appropriate and enforced.
- The Committee shall establish a direct reporting line of the internal audit to the Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings. The internal audit shall functionally report directly to the Audit Committee.
- The Committee shall periodically review the internal audit charter and amend any revisions thereto as applicable.

- Review with management and the chief audit executive the charter, plans, activities, staffing and organizational structure of the internal audit function.
- Ensure that there are no unjustified restrictions or limitations and review and concur in the appointment, replacement or dismissal of the chief audit executive.
- Review the effectiveness of internal audit function, including compliance with the international Standards for the Professional Practice of Internal Auditing; and
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. None

Name of Audit Staff	Reason

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The progress of Annual Internal Audit Plan vs. Actual is being monitored on a semi-annual basis and is reported to Audit Committee and Management.
Issues⁶	Issues are discussed with the Auditee during closing or exit meetings and their responses are incorporated in the Internal Audit Engagement Report.
Findings⁷	Findings are reported to the Management through the Internal Audit Engagement Report, and to Audit Committee through the Internal Audit Updates during Audit Committee meetings.
Examination Trends	As a parent company, the examinations are being done on parent and the subsidiaries and investments of the company.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;

The Internal Audit Process includes Managing the Internal Audit Activities, part of which is the preparation of the Annual Internal Audit Plan.

Planning and managing the internal audit activity

- 1.1. Understanding the business and control environment
- 1.2. Risk Assessment
- 1.3. Managing the internal audit activity
 - 1.3.1. Planning work schedules
 - 1.3.2. Staffing and budgets
 - 1.3.3. Approval by Board (Audit Committee) and Senior Management

The Annual Internal Audit Plan is being submitted to the Audit Committee for approval.

2) Conduct of examination based on the plan;

The process of conducting the examination based on the plan is also part of the Internal Audit Process under "Internal audit engagement". It includes the following :

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

- 2.1. Engagement planning
 - 2.1.1. Familiarization, preliminary survey/research and setting of initial objectives and scope
 - 2.1.2. Opening conference with auditee
 - 2.1.3. Preparation of audit engagement work program and allocation of audit resources
- 2.2. Performing the Engagement
 - 2.2.1. Identifying, gathering data
 - 2.2.2. Analyzing/Evaluating data/information
 - 2.2.3. Documenting/recording data/information
- 2.3. Communicating Results
 - 2.3.1. Draft audit report
 - 2.3.2. Review of draft audit report
 - 2.3.3. Exit conference with auditee
 - 2.3.4. Preparation of final audit report
 - 2.3.5. Disseminate approved audit report
- 2.4. Follow-up and monitoring
 - 2.4.1. Audit follow-up
 - 2.4.2. Disseminates approved report

3) Evaluation of the progress in the implementation of the plan;

The progress in the implementation of the plan is being monitored on a regular basis and result of the Annual Internal Audit Performance vs. the Annual Internal Audit Plan is submitted to the Audit Committee.

4) Documentation of issues and findings as a result of the examination;

Documentation of the audit engagement (including issues and findings) is done thru the auditor's work papers. There is a duly approved process and procedures for the proper preparation of audit's work papers. Portion of the approved work paper preparation process/procedures are shown below :

4.1. Work paper preparation

The work paper file documents the work the auditor has done. The work papers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the work papers document the auditor's conclusions and the reasons those conclusion were reached. The disposition of each audit finding identified during the audit and its related corrective action should be documented.

4.1.1. In the preparation of the audit work papers, the following should be observed :

- Work papers should be completed throughout the audit;
- The work papers should provide a basis for evaluating the internal Audit's quality assurance program and demonstrate compliance with the Standards for the Professional Practice of Internal Auditing (SPPIA);
- Work papers should be economical to prepare and not difficult to review;
- Work papers should be complete but concise and usable record of work performed. Auditors should include in their work papers only what is essential; and, they should ensure that each work paper included serves a purpose that relates to an audit procedure. Work papers that are created and later determined to be unnecessary should be deleted.

Also, the findings, issues and other relevant information in the audit engagement are further documented in the minutes of the closing meeting, and the final internal audit engagement report.

5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

Through the follow-up and monitoring process, the status of the audit findings and issues are tracked as to the Auditee's committed implementation plans.

6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Guidelines on planning an engagement	Implemented
Guidelines on Operating Manual's Compliance	Implemented
Policies and guidelines on quality audit sampling	Implemented
Policies and guidelines on communicating audit results	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Dual reporting line of Internal Audit Department : <ul style="list-style-type: none"> • Functionally reporting to the Board, thru the Audit Committee • Administratively reporting to the Management 	N/A	N/A	N/A
Duly approved Audit Committee Charter			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Chairman of the Board

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	All directors, officers and employees shall be guided by fairness, professional, courtesy and respect when dealing with customers.	Conduct seminars to sales representatives on proper customer treatments.
Supplier/contractor selection practice	Suppliers be selected on its capacity, efficiency and quality of goods and services supplied	Evaluation of financial capacity, audit of production facilities, in case of supply of raw materials and management analysis/evaluation.
Environmentally friendly value-chain	The company adopts a pro-active approach to environmental standards and its facilities are constructed to high quality standards.	The company invested in pollution prevention equipments.
Community interaction	The company contributed to the welfare programs of the community where its branches/depots are located.	N/A
Anti-corruption programmes and procedures?	N/A	
Safeguarding creditors' rights	To fully comply with payment schedules and on time.	Continuously improve profitability and credit worthiness with creditors.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company is committed to a program on continuous identification, evaluation and control, reduction and/or elimination of environmental hazards and stresses arising in and from the workplace which may impair health cause illness or discomfort and inefficiency among others.

Programs :

Fire safety

- All electrical wiring and equipment within processing areas shall be checked regularly.
- Fire fighting equipment like fire extinguishers shall be provided in critical and strategic areas where they can be easily reached.
- Annual checking and replacement of fire fighting equipment shall be done.
- Sufficient emergency lights shall be installed in strategic areas to provide adequate illumination in case of emergency.
- No smoking signs shall be installed in working areas to alert workers in case of fire.
- A comprehensive fire plan drill shall be implemented.
- Yearly seminar on how to use fire extinguisher,

Environmental and Occupational safety

- The Safety Committee shall heighten awareness among employees with regards to potential chemical, physical and biological hazards through various information dissemination programs to encourage them to take the lead roles in implementing safety within and outside their workplace.
- Walk through surveys shall be conducted regularly by the Safety Committee to continuously reduce and/or eliminate sources of environmental hazard through acting on the gathered worker's complaints.
- The Safety Committee shall seek resource allocation for provision, installation and maintenance of all control facilities and protective barriers for potential and actual hazards.
- Control measures to reduce noise, dust, heat and other hazards shall be provided.
- Adequate and appropriate Personal Protective equipment shall be provided when considered necessary.
- Strict compliance on the regular use and proper maintenance of Personal Protective Equipment shall be implemented.
- All employees shall undergo an annual medical check-up.

(b) Show data relating to health, safety and welfare of its employees.

No accidents reported yet.

(c) State the company's training and development programmes for its employees. Show the data.

The company conducts training programs on sales representatives, managers and plant personnel, either external or internal on a regular basis and as the need arises.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company has quarterly and annual employee evaluation system, and based on this the employees are given performance bonuses.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Complaints of employees are forwarded and handled by the Grievance Committee which conducts its investigation and evaluation observing the due process system. Other complaints forwarded to Senior Officers are handled by Personnel Department, which likewise follows due process system of handling complains. All resolutions are subject to approval by Management.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
U.S. Automotive Co., Inc.	2,401,747,112	58.4063%	Yap Family
USAUTOOCO Inc.	855,505,147	20.8044%	Yap Family
Philtrust Bank	365,111,291	8.8789%	Yap Family
Evergreen Stock Brokerage	298,725,323	7.2645%	Various clients

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jose A. Emterio	205,610		.0050
Arnold D. Ong	0		0
Rosanna Marie S. Sunga	20,564		.0005
Isleen Y. Sy	0		0
Dinah D. Trivilegio	4,116		.0001
Virgilio V. Leyeza, Jr.	41,126		.0010
Ma. Bernadette M. Doctor	20,564		.0005
Enrique Raymond I. Yap	16,067,839		.3907
Janice R. Ong	51,410		.0013
Sandra N. Pineda	0		0
TOTAL	16,411,229		

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	N/A
Details of whistle-blowing policy	N/A
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	N/A
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Teodoro Santamaria Canlas & Co., CPAs	₱ 350,000 (for year 2015)	None

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Mail and Publication

5) Date of release of audited financial report: 14 April 2015

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
U.S. Automotive Co., Inc.	Stockholder	Operating Lease	₱19.8Million
Philtrust Bank	Stockholder	Savings and Current deposits	₱332.7Million
Hemotek Renal Center, Inc.	Subsidiary	Cash Advances Receivables Sales	₱30Million ₱182.6Million ₱37.6Million
CafeFrance Corp.	Subsidiary	Cash Advances	₱493.6Million
Manila Bulletin	Affiliates	Advertising services	₱7.6Million
Manila Hotel	Affiliates	Hotel services	₱1.05Million
Philippine Label Pack Corp.	Affiliates	Supplier	₱7.4Million

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.

Quorum Required	Majority of the Outstanding Capital Stock
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Affirmative vote of a majority of the number of directors.
Description	The affirmative vote of a majority of the number of directors specified in the Articles of Incorporation shall be required in order to effect any corporate act.

(c) Stockholders’ Rights

List any Stockholders’ Rights concerning Annual/Special Stockholders’ Meeting that differ from those laid down in the Corporation Code.

Stockholders’ Rights under The Corporation Code	Stockholders’ Rights not in The Corporation Code
Voting Right	The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. Any such proposal should be submitted in writing to the Board of Directors or the Corporate Secretary at least ninety (90) days prior to the date of the annual shareholders’ meeting as specified in the corporate by laws.
Pre-emptive Right	
Power of Inspection and Information	

Dividends

Declaration Date	Record Date	Payment Date
May 26, 2015 (cash dividend declaration)	June 18, 2015	July 10, 2015

(d) Stockholders’ Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders’ Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders’ meetings.

Measures Adopted	Communication Procedure
Every stockholders has the right to object/comment on any item on the agenda	A microphone is provided on the floor in order to encourage stockholders to express any insight/reservation during the stockholders’ meetings.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
- Amendments to the company's constitution

AOI: affirmative vote of 2/3 of the outstanding capital stock of the Corporation
BL: affirmative vote of a majority of the outstanding capital stock of the Corporation

- Authorization of additional shares
- Transfer of all or substantially all assets, which in effect results in the sale of the company

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes

- Date of sending out notices: 27 May 2015
- Date of the Annual/Special Stockholders' Meeting: 17 June 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Yes, stockholders were inquiring on the financial standing of the company and future projects.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of Previous Meeting of Shareholders	3,765,099,817		
Ratification of All Acts, Proceedings, Transactions and Resolutions of BODs and Officer of the Corporation from the last Annual Shareholders Meeting	3,765,099,817		
Election of Board of Directors for year 2013-2014	3,765,099,817		
Appointment of External Auditor for year 2013-2014	3,765,099,817		

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

None

- (e) Modifications - None

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
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- (f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Dr. William G. Padolina	June 17, 2015	by a show of hands or by <i>viva voce</i>	2.47%	91.56%	Over 91%
	Mr. Johnny C. Yap	June 17, 2015				
	Mr. Basilio C. Yap	June 17, 2015				
	Dr. Emilio C. Yap III	June 17, 2015				
	Atty. Francis Y. Gaw	June 17, 2015				
	Mrs. Georgiana S. Evidente	June 17, 2015				
	Dr. Evangeline V. Baviera	June 17, 2015				
	Dr. Teodora D. Tan	June 17, 2015				
	Mr. Michael Vincent Y. Yap	June 17, 2015				
	Mr. Edwin D. Feist	June 17, 2015				
	Dr. Tomas P. Maramba, Jr.	June 17, 2015				
	Jose A. Emitterio	June 17, 2015				
	Rosanna Marie S. Sunga	June 17, 2015				
	Ma. Bernadette M. Doctor	June 17, 2015				
	Enrique Raymond I. Yap	June 17, 2015				
	Janice R. Ong	June 17, 2015				
	Sandra N. Pineda	June 17, 2015				
Special	N/A					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? None

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes, common shares carry one vote for one share.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Company's Policies	
Execution and acceptance of proxies	Duly presented to the Secretary for inspection and record
Notary	Must be notarized
Submission of Proxy	At least five (5) calendar days prior to the meeting (Article III, Section 8, By-laws)

Several Proxies	
Validity of Proxy	No proxy bearing a signature which is not legally acknowledged shall be recognized unless such signature is known and recognized by the Secretary of the meeting.
Proxies executed abroad	N/A
Invalidated Proxy	N/A
Validation of Proxy	
Violation of Proxy	

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Mailing of Notice of Annual Shareholders Meeting were sent to all stockholders of record 21 days prior to the meeting.	By-Laws, Article 3, Section 4

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	555 shareholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 03, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 26, 2015
State whether CD format or hard copies were distributed	Hard copies
If yes, indicate whether requesting stockholders were provided hard copies	yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<p>The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. Any such proposal should be submitted in writing to the Board of Directors or the Corporate Secretary at least ninety (90) days prior to the date of the annual shareholders' meeting as specified in the corporate by laws.</p>	
<p>The minority shareholders shall have access to any and all information relating to matters for which Management is accountable for and to those relating to matters for which Management shall include such information and, if not included, then the minority shareholders shall be allowed, subject to the foregoing paragraph, to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".</p>	

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, as long as the nominations are submitted to the Corporate Governance Committee and approved by the Board before the Annual Stockholders Meeting as mandated by the Securities Regulations Code and the Company's Manual of Corporate Governance.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

External communications passes thru the approval of Senior Management and being communicated as often as needed. Internal communications are made by each department head as often as needed.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

All concerns of investors and the public in general are handled by the Company's Investor Relation's Officer (IRO) :

Name : Janice R. Ong
 Business telephone number : 5240091-98
 Business fax number : 5260977
 Email address : corporate@euromedlab.net

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Transactions for capital markets, mergers and sales of substantial portions of corporate assets needs the approval of management, the Board and the stockholders, depending on the amount involved.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
None	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self Evaluation Rating Approach thru a Self-Assessment Questionnaire	Each respective duties and responsibilities
Board Committees		
Individual Directors		
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees


Violations	Sanctions
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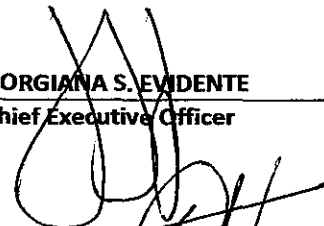
Per Company's MCG, the Board of Directors shall determine the appropriate penalty for violation of the Manual on a case to case basis, taking into consideration the nature of the violation as well as the gravity and frequency of the same.

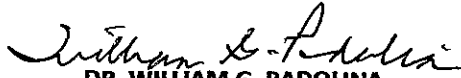
The Board shall be responsible for determining violations through notice and hearing and shall recommend to the Chairman of the Board the improbable penalty for such violation for further review and approval of the Board.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Manila on 15th day of April 2016.

SIGNATURES


DR. WILLIAM G. PADOLINA
 Chairman of the Board


GEORGIANA S. EVIDENTE
 Chief Executive Officer



DR. WILLIAM G. PADOLINA
 Independent Director


MR. EDWIN D. FEIST
 Independent Director


JANICE R. ONG
 Compliance Officer

SUBSCRIBED AND SWORN to before me this 15 April 2016 at City of Manila, affiant(s) exhibiting to me their identification, as follows:

Name	Identification No.	Date Issued & Place Issued
William G. Padolina	EB7351369	February 11, 2013 / DFA, Manila
Georgiana S. Evidente	EB4155571	November 25, 2011 / DFA, Manila
Edwin D. Feist	E3086172	December 10, 2008 / Australia
Janice R. Ong	EC6341484	January 7, 2016/DFA NCR West


ATTY. PEDRO D. GENATO
 Notary Public Until Dec. 31, 2017
 Notarial Commission 2016-011 Mfa.
 1150 Gen. Luna St., Ermita Manila
 IBP# 1009339 Pasig 09-24-15 until 2017
 PTR# 4930029 Mla. 1-4-2016
 Roll# 12088, TIN# 132-436-687
 MCLE Compl. No. V-0005232 until 4-14-19

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