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S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Contact Person

5 2 4 0 0 9 1 - 9 8

Company Telephone Number

0 9 3 0
 Month Day

Fiscal Year

2 0 1 6

1 7 Q
 FORM TYPE

Secondary License Type, if Applicable

Month Day
 Annual Meeting

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2016
2. SEC Identification Number 148022 3. BIR Tax Identification No. 000-288-655V
4. Exact name of registrant as specified in its charter EURO-MED LABORATORIES PHIL., INC.
5. Philippines 6. (SEC Use Only)
(Province, country or other jurisdiction of Industry Classification Code:
incorporation or organization)
7. 1000 United Nations Avenue cor. San Marcelino St., Manila 1000
Address of principal office postal code
8. (632) 524-0091 to 98
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

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

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

Yes No

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

Philippine Stock Exchange

Common Stock

12. Check whether the issuer:

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

Yes No

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

Yes No

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

Item 1. Financial Statements

See accompanying Interim Financial Statements.

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

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

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

The financial risk exposures of the company are as follows:

1. Currency or Foreign Exchange risk.

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

The Peso/Dollar exchange rate appreciated from about ₱ 47.17/US\$ 1 in January 2016 to about ₱ 48.22/US\$ 1 in September 2016. The company's export sales for the periods ended January to September 2016 and 2015 are 9% and 11% respectively of total sales, which are denominated in foreign currency.

The raw materials being imported are initial inputs for producing parenteral solutions and LDPE bottles. A Peso/Dollar exchange rate depreciation will result in an increase in the company's production cost. The company manages this risk by maintaining at least two (2) or more suppliers of its material requirements, so that it would not be dependent in only one (1) supplier and to provide room for negotiating prices for three (3) months, six (6) months or one (1) year contracts.

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

2. Interest rate risk.

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

The company's loans as of September 30, 2016 that is exposed to interest rate risks are as follows:

Maturing within one (1) year			
Notes payable	P	1,864,213,998	
Acceptances payable		<u>234,908,907</u>	2,099,122,905
Maturing over one (1)year			
Notes payable			<u>629,263,334</u>
Total			<u>2,728,386,239</u>

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

3. Credit risk.

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

The maximum credit exposure of the company as of September 30, 2016 follows:

Cash in banks	P	915,892,719
Trade receivables-net		1,687,289,533
Non-trade receivables		<u>4,599,819</u>
		<u>2,607,782,071</u>

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

4. Market risk.

This risk arises from fluctuations in the market prices of the company's products. The company is exposed to price risk because of the nature of its business. Euro-Med is the leading manufacturer of intravenous fluids in the Philippines and competes with other IVF manufacturers and importers. The risk is managed by maintaining good business relations with customers, producing a wide-range of products and providing prompt, courteous and efficient marketing and delivery service. Likewise, for valued customers, prices are contracted for a long-term period.

The company does not anticipate that the price of its high quality intravenous fluid products will decline significantly in the foreseeable future and therefore, has not entered into derivative or other contracts to manage the risk of a decline in market

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

5. Liquidity risk.

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

The Company's financial liabilities as of September 30, 2016 that are exposed to liquidity risk are as follows:

Bank Loans:		
Maturing within one (1) year	P	1,864,213,998
Maturing over one (1) year		629,263,334
Trade accounts payable		326,857,682
Acceptances payable		234,908,907
Income tax payable		29,079,125
Agency payable/accrued expenses		73,442,160
	P	<u>3,157,765,206</u>

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

B. Euro-Med's financial instrument profile as of September 30, 2016 follows:

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

	Classification	Description	Measurement
1.1)	A financial asset or financial liability at fair value through profit or loss (FVPL)	None	Not Applicable
1.2)	Held to maturity Investments (HTM)	None	Not Applicable
1.3)	Loans and Receivables	3.1) Trade and other receivables	a) At initial recognition – measured at fair value

		3.2) Bank loans (Notes payable & Acceptances payable)	b) Subsequent Valuation – at amortized cost, less impairment loss if any.
		3.3) Trade accounts payable	a.) At initial recognition – measured at fair value
1.4)	Available-for-sale Financial assets (AFS)	4.2) Proprietary Shares in Casino Español de Manila	b) Subsequent valuation – at cost

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

The Company has no complex securities particularly on derivatives.

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

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

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

4.1) On Trade receivables –

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

4.2. Bank loans (Notes payable and Acceptances payable)

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

4.3) Trade accounts payable

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

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

	As of September 30, 2016		As of December 31, 2015	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
A. Financial assets	P			P
Cash		915,893	915,893	953,129
Trade & other receivables-net		1,691,889	1,691,889	1,686,672
Available for sale securities				
Unquoted		200	200	200
TOTAL		<u>2,607,982</u>	<u>2,607,982</u>	<u>2,640,001</u>
B. Financial liabilities				
Trade accounts payable		326,858	326,858	334,211
Notes payable - current		1,864,214	1,864,214	2,019,617
Notes payable - non-current		629,263	629,263	629,263
Acceptances payable		234,909	234,909	137,915
Other current liabilities		73,442	73,442	58,943
Other non-current liabilities		1,708	1,708	546
TOTAL	P	<u>3,130,394</u>	<u>3,130,394</u>	<u>3,180,495</u>

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

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

1.) The Company's net sales increased by 11 % from P 2,143.2 million for the first three quarters of 2015 to P 2,379.5 million for the first three quarters of 2016. The increase in sales was attributed to the increase in local sales which increased by 13% from P1,907.0 million for the three quarters ended of 2015 to P 2,162.3 million for the first three quarters of 2016. Export sales decreased by 8% from P 236.2 million for the first three quarters of 2015 to P 217.2 million for the first three quarters of 2016. The increase (decrease) in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the forecast. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) Gross profit from sales increased by 11.7% from P 783.1 million for the first three quarters of 2015 to P 875.0 million for the first three quarters of 2016. Cost of goods manufactured and sold increased by 10.6% from P 1,360.1 million for the first three quarters of 2015 to P 1,504.4 million for the first three quarters of 2016. As a percentage of net sales, cost of goods manufactured and sold decreased from 63.5% for the first three quarters of 2015 to 63.2% for the first three of 2016. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Income from operations (income before finance income/cost and miscellaneous income) increased by 21.3% from P 235.2 million for the first three quarters of 2015 to 285.3 million for the first three quarters of 2016. Operating expenses (administration, selling and distribution) increased by 7.6% from P547.9 million for the first three quarters of 2015 to P 589.7 million for the first three quarters of 2016. The increase was due to the increase in variable operating expenses of administrative expenses and marketing expenses. As a percentage of the Company's net sales, operating expense ratio decreased from 25.6% for the first three quarters of 2015 and 24.8% for the first three quarters of 2016. Changes in income from

operations and operating expenses are management's indicators for the degree of control over the Company's spending on selling, distribution and administrative expenses. The percentage change in income from operations is calculated by dividing the peso increase (decrease) in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase (decrease) in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance and miscellaneous income/cost decreased by 9.2% from P101.1 million for the first three quarters of 2015 to P 91.8 million for the first three quarters of 2016. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax increased by 44.3% from P 40.2 million for the first three quarters of 2015 to P 58.1 million for the first three quarters of 2016. Net income increased by 44.3% from P 93.9 million for the first three quarters of 2015 to P 135.5 million for the first three quarters of 2016. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of- return expectations. The percentage change in net income is calculated by dividing the peso increase/decrease in net income by the peso net income during the comparable period of previous year.

The Company's total assets decreased by 1.8% from P8.273 billion in 2015 to P8.128 billion in 2016. Current ratio decreased by 1.4% from 1.69:1 in 2015 to 1.66:1 in 2016, while Equity ratio increased by 1.8% from at 0.50:1 in 2015 and to 0.51:1 in 2016.

The decrease in inventories was due to lower inventories on distributed products as some distribution agreement has ended. The increase in other current assets was due to increase in advances to suppliers for the down payments for the expansion works of the Company. The decrease in other non-current assets was due to amortization of prepaid marketing development expense. The increase in Intangible assets was due to the purchased of Patent and Rights of Dr. Edwards® from Advanced Nutritional Technologies (Antech) Inc. The increase in acceptances payable was due to trust receipts availments for the importation of raw materials. The decrease in current portion of long term debt was due to loan payments during the period. The increase in non-current liabilities was due to increase in deferred output VAT for uncollected sales of services. The increase in other current liabilities was due to the increase in accrued expenses and VAT payable. The amount of income tax payable decreased since the amount as of 31 December, 2015 represents the audited final and adjusted income tax payable as of the end of year 2015, while the amount as of 30 September 30, 2016 includes only the estimated tax on income for the quarter ending September 30, 2016 as the year- end income tax has been paid in April 2016. The decrease in Retained Earnings was due to the declaration of 5% cash dividends in June 2016 and was paid on July 08, 2016.

Projection

The Company expects to increase its sales in 2016 by about 12% primarily due to the expected increase in local 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.

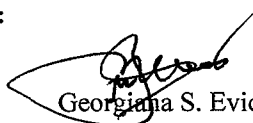
The expected net income for 2016 is about P266 million, which is about 5% to 6% of sales.

SIGNATURES

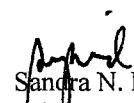
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EURO-MED LABORATORIES PHILS., INC.

By:


Georgiana S. Evidente
President

November 11, 2016


Sandra N. Pineda
Chief Accountant

November 11, 2016

EURO-MED LABORATORIES PHIL., INC.

STATEMENTS OF FINANCIAL POSITION

		30 September	31 December
	Notes	2016	2015
		(Unaudited)	Audited
ASSETS			
Current			
Cash	6,20,34	P915,892,719	P953,128,715
Trade and other receivables, net	5,7,20,34	1,691,889,352	1,686,672,405
Inventories	5,8	812,009,092	1,017,427,758
Other current assets	9,20,34	785,927,264	738,332,188
		4,205,718,428	4,395,561,066
Non-current			
Investment in subsidiary	10	600,000,000	600,000,000
Property, plant and equipment	5,11,15	2,677,469,507	2,615,690,584
Intangible Assets	5,12	269,052,961	224,545,294
Deferred tax assets	3,5,30	48,508,603	48,508,603
Other non-current assets	5,13,20	327,013,413	388,735,543
		3,922,044,484	3,877,480,024
TOTAL ASSETS		P8,127,762,910	P8,273,041,090
LIABILITIES AND EQUITY			
Current			
Trade accounts payable	25,34	326,857,682	334,211,138
Notes payable	15,34	1,762,690,331	1,696,856,333
Current portion of long-term loan	15,34	101,523,667	322,761,333
Acceptances payable	16,34	234,908,907	137,914,838
Income tax payable	4	29,079,125	54,110,578
Others	16,34	73,442,160	58,942,659
		2,528,501,872	2,604,796,879
Non-current			
Notes payable -net of current portion	15,34	629,263,334	629,263,334
Retirement liability	3,5,28	117,066,411	117,066,411
Other noncurrent liabilities	18,34	1,708,484	546,376
		748,038,229	746,876,121
Equity			
Share Capital	19	4,112,140,540	4,112,140,540
Share premium	19	66,609,227	66,609,227
Retained Earnings	3,19	708,595,989	778,741,272
Accumulated Actuarial Losses on defined benefit obligation	3,28	(36,122,949)	(36,122,949)
		4,851,222,807	4,921,368,090
TOTAL LIABILITIES AND EQUITY		P8,127,762,910	P8,273,041,090

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

	Notes	2016		2015	
		July - Sept.	Jan. - Sept.	July - Sept.	Jan. - Sept.
NET SALES	20,21	P881,154,185	P2,379,475,453	P754,430,662	P2,143,228,882
COST OF GOODS					
MANUFACTURED AND SOLD	3,22	560,718,798	1,504,429,946	488,287,556	1,360,128,327
GROSS PROFIT		320,435,387	875,045,507	266,143,106	783,100,555
OPERATING EXPENSES					
Administrative and selling expenses	3,20,23	(129,889,090)	(389,448,783)	(111,491,629)	(346,515,408)
Distribution expenses	3,20,24	(64,482,311)	(200,253,219)	(71,050,857)	(201,338,799)
		(194,371,401)	(589,702,002)	(182,542,486)	(547,854,207)
OPERATING INCOME		126,063,986	285,343,505	83,600,620	235,246,348
Other Income (Charges)					
Finance income	6	134,460	3,299,060	3,400,939	7,028,712
Finance cost	25	(28,027,176)	(91,046,347)	(31,818,550)	(113,795,662)
Foreign exchange gain (loss)		(1,766,724)	(2,328,003)	4,029,274	5,246,868
Miscellaneous income	26	525,871	(1,751,438)	407,817	393,616
		(29,133,569)	(91,826,728)	(23,980,520)	(101,126,466)
INCOME BEFORE INCOME TAX		96,930,417	193,516,777	59,620,100	134,119,882
PROVISION FOR INCOME TAX	29	29,079,125	58,055,033	17,886,030	40,235,965
NET INCOME		P67,851,292	P135,461,744	P41,734,070	P93,883,917
EARNINGS PER SHARE					
Basic and Diluted	33	P0.02	P0.03	P0.01	P0.02

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Additional Paid-in Capital	Retained Earnings	Accumulated Actuarial Losses on Retirement Benefit Plan	Sept. 30, 2016
	(Notes 19)	(Note 19)	(Notes 19)	(Note 29)	
Balances, 31 December 2015	P 4,112,140,540	P66,609,227	P778,741,272	P(36,122,949)	P4,921,368,090
Net income – for the period Jan.- September 2016			135,461,744		135,461,744
Cash Dividends			(205,607,027)		(205,607,027)
As at Sept. 30, 2016	P 4,112,140,540	66,609,227	708,595,989	(36,122,949)	P 4,851,222,807
	Share Capital	Additional Paid-in Capital	Retained Earnings	Accumulated Actuarial Losses on Retirement Benefit Plan	Sept. 30, 2015
	(Notes 19)	(Note 19)	(Notes 19)	(Note 29)	
Balances, 31 December 2014	P 4,112,140,540	P66,609,227	P766,038,969	P(21,247,331)	P4,923,541,405
Net income – for the period Jan.- September 2015			93,883,917		93,883,917
Cash Dividends			(205,607,027)		(205,607,027)
As at Sept. 30, 2015	P 4,112,140,540	66,609,227	654,315,859	(21,247,331)	P 4,811,818,295

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

		For The Nine Months Ended Sept. 30	
	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P 193,516,777	P 134,119,882
Adjustments for:			
Depreciation and amortization	11,12	123,505,252	119,359,712
Finance Cost	25	91,046,347	113,795,662
Foreign exchange(gain) loss	5,7,24	(2,328,003)	(5,246,868)
Finance/Miscellaneous Expense	6	(1,547,622)	(7,422,328)
Operating income before working capital changes		404,192,751	354,606,060
Changes in assets and liabilities:			
(Increase) Decrease in:			
Receivables, net	5,7,34	(5,216,947)	674,466,072
Inventories	3,8	205,418,666	66,514,572
Other current assets	9	(47,595,076)	(72,153,804)
Other non-current assets	13	61,722,130	38,727,797
Increase (decrease) in:			
Trade accounts payable	14,34,35	(7,353,456)	(82,334,020)
Trust receipts payable	16,34,35	96,994,069	(32,243,790)
Other current liabilities	17	14,499,501	1,661,053
Cash generated from operations		722,661,638	949,243,940
Interest paid	25	(91,046,347)	(113,795,662)
Income tax		(89,086,486)	(67,705,301)
Interest received	6	1,547,622	7,422,328
Net cash provided by operating activities		544,076,427	775,165,305
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition / Amortization of:			
Property, plant and equipment	11	(185,284,176)	(96,775,763)
Intangible assets		(44,507,667)	-
Net cash used in investing activities		(229,791,843)	(96,775,763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments / payments of loans	15	(351,520,582)	(461,171,668)
Net cash provided by financing activities		(351,520,582)	(461,171,668)
NET INCREASE IN CASH		(37,235,997)	16,993,107
CASH, BEGINNING OF YEAR		953,128,715	842,196,925
CASH END OF THE PERIOD	6,20,34,35	P 915,892,719	P 859,190,032

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company began its commercial production in 1991 after it has been registered with the Food and Drug Administration (FDA) formerly (BFAD) to manufacture pharmaceutical products of large and small volume parenterals and other solutions such as ophthalmic, inhalation, irrigation and dialysis. The Parent Company is currently the largest manufacturer of high quality intravenous fluids in the Philippines.

2. Basis of Preparation

Basis of Financial Statement Presentation

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

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

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

Statement of Compliance

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Parent Company's financial statements are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations which became effective beginning January 1, 2015. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the parent company financial statements.

- PAS 19 (Amendment), *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendment did not have a significant effect on the parent company financial statements.

Annual Improvements to PFRS (2010-2012 cycle)

The Annual Improvements to PFRS (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment has no significant impact on the financial position or performance of the parent company.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. 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 PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). This amendment has no significant impact on the financial position or performance of the parent company.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. The amendment has no significant impact on the Parent Company's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment affects disclosures only and has no significant impact on the Parent Company's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses; (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding

annual period. The amendment has no impact on the Parent Company's financial position or performance since the Parent Company uses the cost method.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the parent company's financial position or performance.

Annual Improvements to PFRS (2011-2013 cycle)

The Annual Improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First Time Adoption of Philippine Financial Reporting Standards – Meaning of Effective PFRSs*. The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Parent Company as it is not a first-time adopter of PFRS.
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.
- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.

Future Changes in Accounting Policies

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements of the parent company.

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* issued in May 2014. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- PAS 27, *Separate Financial Statements*, the amendment allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investment in Associates*, the amendment address an inconsistency between PFRS 10 and PAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involve assets that do not constitute a business, even if those assets are in a subsidiary.
- 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 re-measured 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 Company.
- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing

accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Effective July 1, 2016

2014 Annual Improvements. These annual improvements amend standards from the 2012-2014 reporting cycle. It includes changes to:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal.* The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal; rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures* – There are two amendments: (1) *Servicing contracts* – if an entity transfers a financial asset to a third party under condition which allow the transferor to derecognize the asset, PFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to PFRS 1 to give the same relief to first time adopters. (2) *Interim financial statements* – the amendment clarifies that the additional disclosure required by the amendments to PFRS 7, Disclosure – *Offsetting financial assets and financial liabilities* is not specifically required for all interim periods unless required by PAS 34. This amendment is retrospective.
- *PAS 19, Employee Benefits* – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are dominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in the currency, not corporate bonds in particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.
- *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 if the subsidiary itself is an investment entity.
 - The exemption from preparing 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 15, *Revenue from Contracts with Customers* issued in May 2014 and effective for annual periods beginning January 1, 2018. This is the coverage standard on relevant on revenue recognition. It replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of PFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:
 - Step 1: Identify the contract(s) with a customer
 - Step 2: Identify the performance obligations in the contract
 - Step 3: Determine the transaction price
 - Step 4: Allocate the transaction price to the performance obligation in the contract
 - Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

PFRS 15 also includes a cohesive set of disclosure requirement that will result in an entity providing users of financial statements with comprehensive information about the nature,

amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Effective January 1, 2018

- PFRS 9, *Financial Instruments* issued in November 2009 and effective for period beginning January 1, 2018. The complete version of PFRS 9 replaces most of the guidance in PAS 39. PFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in PAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

PFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedge item and hedging instrument and for the 'hedge ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under PAS 39.

- 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

- Philippine Financial Reporting Standards (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 Company 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 Leases 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 Company 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

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

Cash

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

Financial Assets and Financial Liabilities

Date of recognition

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

Initial recognition of financial instruments

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

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

Financial 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 equity net of any related income tax benefits.

Determination of fair value

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

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

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

Financial assets and financial liabilities at FVPL

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

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

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

- i. the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- ii. the assets or liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- iii. the financial instrument contains an embedded derivative that would need to be separately recorded.

As at September 30, 2016 and December 31, 2015, the Parent Company has no financial assets and financial liabilities at FVPL.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Parent Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Moreover the Parent Company would be prohibited to classify any financial assets as HTM investments for the following two (2) years. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the investment income in the statement of comprehensive income. Gains and losses are amortized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

As at September 30, 2016 and December 31, 2015, the Parent Company has no investment under this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the financial position date.

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

As at Sept. 30, 2016 and December 31, 2015, the Parent Company's 'Cash in banks', 'Receivables', 'Advances to Subsidiaries', 'Advances to Suppliers and Contractors' 'Bidders and Performance bonds', 'Advances to Officers' and 'Advances to Employees' are included in this category.

AFS financial assets

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

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

As at September 30, 2016 and 2015, the Parent Company has financial instruments classified as AFS included under non-current assets (see Note 13).

Other financial liabilities

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized when:

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

Where the parent company has transferred its rights to receive cash flows from an asset 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 parent company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the parent company could be required to repay.

Financial liability

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

Impairment of Financial Assets

At each reporting date, the Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated

future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

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

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

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

Financial assets carried at cost

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

AFS financial assets

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

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

Offsetting Financial Instruments

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

Inventories

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

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

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

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

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

NRV for raw materials is the current replacement cost.

Prepaid Expenses

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

Investment in Subsidiaries

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

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

Property, Plant and Equipment

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

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

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

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

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

Office furniture, equipment and improvements 10 years

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

The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

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

Intangible Assets

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

The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Parent Company assessed the useful life of trademarks and licenses to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Parent Company.

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

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

Impairment of Non-financial Assets

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

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

Equity

Share capital is classified as equity. Incremental costs directly attributable to the issue of share capital are recognized as a deduction from equity, net of any tax effects.

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

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

Dividend distributions

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

Other comprehensive income

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

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

Service income

Service income is recognized upon completion of medical services to be rendered and amount of revenue can be measured reliably.

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.

Costs and Expenses

Cost and expenses are recognized in the parent company 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.

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).

Parent Company as a lessee

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

lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the leased contract.

Parent Company as a lessor

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

Borrowing Costs

Borrowing costs are generally 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.

Employee Benefits

Short term benefit

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Short-term benefits given by the Parent Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Defined benefit plan

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

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

Termination benefit

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

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

Employee leave entitlement

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

Income Tax

Current income tax

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

Deferred income tax

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

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

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

Deferred income tax assets and liabilities are not provided on non-taxable or nondeductible temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and

interests in joint ventures, deferred income tax assets and liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered. It is probable that sufficient future taxable profits will be available against which a deductible temporary difference can be utilized when there are sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same period as the expected reversal of the deductible temporary difference. In such circumstances, the deferred income tax asset is recognized in the period in which the deductible temporary difference arises.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

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

Value Added Tax (VAT)

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'Other current assets' (see Note 9) or 'Other current liabilities' (see Note 17) in the statement of financial position.

Foreign Currency Transactions

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

Business Segment Information

The Parent Company's properties which are all located in the Philippines is primarily used in manufacturing pharmaceutical products whether for domestic and export sales that constitute the Parent Company's reportable segments, which is consistent with how the Parent Company's management internally disaggregate financial information for the purpose of making internal operating decisions and evaluating performance. The Parent Company has a customer base composed of more than 8,000 institutions nationwide. The Parent Company's sales are not dependent on one or a few major customers and no customer accounts for more than ten (10) percent of the Parent Company's sales. Details of the Parent Company's domestic and export sales are shown in Note 21.

The Parent Company's assets are utilized for manufacturing pharmaceutical products whether for domestic or export sales. Management considers that it is impractical to allocate such assets and related liabilities to the business segments. Accordingly, segment assets, segment liabilities and

other segment information on cash flows and capital expenditures are not separately allocated to the business segments.

Provisions

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

Contingencies

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

Earnings per Share (EPS)

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

Diluted EPS amounts are calculated by dividing the net income for the year attributable to ordinary equity holders of the Parent Company (after deducting interest on convertible preferred shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary

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

Related Party Relationships and Transactions

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

Events after the End of Reporting Period

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

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

The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company to make estimates and assumptions that affect the reported amounts of assets,

liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

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

Judgments

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

Classification of financial instruments

The Parent Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Parent Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position.

Determination of type of lease - operating lease

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

Total lease expense arising from operating leases amounted to P43.7 million and P45.7 million in 2016 and 2015, respectively (see Note 31).

Contingencies

The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defenses on these matters and is based upon an analysis of potential results. The Parent Company currently does not believe these proceedings will have a material effect on the Parent Company's financial position. It is possible, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 32).

Estimates and Assumptions

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

Impairment of loans and receivables

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

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the allowance for

impairment losses on receivables would increase recorded operating expenses and decrease current assets.

The related balances follow (see Note 7):

	2016		2015
Receivables	P 1,731,918,461	P	1,731,301,333
Allowance for impairment losses	44,628,928		44,628,928
Provision for impairment loss	-		2,360,219

Measurement of NRV of inventories

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

Inventories carried at cost as at September 30, 2016 and 2015 amounted to P 832.0 million and P1,017.4 million, respectively (see Note 8).

Impairment of AFS financial assets

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

As of September 30, 2016 and 2015, the carrying value of the Parent Company's AFS financial assets amounted to P0.2 million (see Note 13).

Estimation of useful lives of property, plant and equipment

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

The related balances follow (see Note 11):

	Sept. 30, 2016		2015
Cost	P 5,735,751,405	P	5,550,500,230
Accumulated depreciation and amortization and impairment losses	3,058,281,898		2,934,809,646
Depreciation and amortization	123,505,252		159,146,282

Estimated useful lives of intangible assets with finite lives

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

Intangible asset with finite useful lives amounted to P1.0 million as at Sept. 30, 2016 and 2015, respectively (see Note 12).

Impairment of trademarks and licenses with indefinite lives

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

The carrying amounts of trademarks and license with indefinite useful lives amounted to P269.0 million as at Sept. 30, 2016 and P 223.4 million in 2015 (see Note 12).

Asset Impairment

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

- significant 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 Parent Company during the period, or are expected to take place in the future, in the extent to which, or manner in which, an asset is used or is expected to be used.

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

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

No indications of further impairment were noted on property, plant and equipment as at Sept. 30, 2016 and 2015 (see Note 11).

Recognition of deferred income tax assets

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

Deferred income tax assets recognized in the parent company statement of financial position amounted to P48.5 million as at Sept. 30, 2016 and 2015 (see Note 30).

Estimation of retirement benefits cost and liability

The cost of defined benefit retirement plans as well as the present value of the retirement obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and expected return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The Retirement liability as at Sept. 30, 2016 and 2015 amounted to P117.1 million. Further details are provided in Note 29.

6. Cash

This account consists of:

	2016	2015
Cash on hand and revolving funds	P 51,392,203	P 91,776,206
Cash in banks	864,500,516	861,352,509
	P 915,892,719	P 953,128,715

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P 3.3 million and P 4.2 million in 2016 and 2015, respectively.

As at Sept. 30, 2016 and 2015, cash in banks includes foreign currency-denominated deposits amounting to U.S. \$9.3 million or P448.5 million and U.S. \$11.5 million or P544.2 million, respectively (see Note 34).

7. Receivables

This account consists of:

	2016		2015	
Trade	P	1,731,918,461	P	1,726,286,776
Others		4,599,819		5,014,557
		1,736,518,280		1,731,301,333
Less allowance for impairment losses		44,628,929		44,628,928
	P	1,691,889,351	P	1,686,672,405

Trade receivables are non-interest bearing and are generally on a 30-60 day credit term.

As at September 30, 2016 and 2015, trade receivables of P 1,1731.9 million and P 1726.3 million, respectively, were past due but not impaired. These relates to a number of customers for whom there is no history of defaults (see Note 34 on aging analysis).

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

The Parent Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. Allowance for impairment losses relates to trade receivables. No allowance was provided on other receivables. Changes in the allowance for impairment losses for the years ended September 30, 2016 and 2015 are as follows:

	2016		2015	
Balance, January 1	P	44,628,928	P	41,998,709
Provision for the year (see Note 24)		-		2,630,219
	P	44,628,928	P	44,628,928

As at September 30, 2016 and 2015, the creation of provision for impaired receivables have been included in the 'administrative and selling expenses' in the parent company statement of comprehensive income (Note 23).

8. Inventories

The account consists of:

	2016		2015	
Raw materials	P	245,224,773	P	278,021,350
Finished goods		566,784,318		739,406,408
	P	812,009,091	P	1,017,427,758

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 statement of comprehensive income);

- The amount of any substantial and unusual write downs.

The estimated net realizable values of inventories are as follows:

	2016	2015
Raw materials	P 407,831,675	P 426,804,865
Finished goods	716,127,488	937,610,051
	P 1,123,959,162	P 1,364,414,916

9. Other Current Assets

This account consists of:

	2016	2015
Advances to subsidiaries (see Note 20)	P 546,574,949	P 523,574,949
Current portion of prepaid marketing and development expense	62,416,957	71,543,802
Advances to suppliers and contractors	109,703,034	69,496,366
Bidders and performance bonds	31,294,892	40,001,376
Current portion of advances	22,134,006	22,643,291
Creditable withholding VAT	9,584,539	9,584,539
Creditable withholding tax	4,218,887	1,487,865
	P 785,927,264	P 738,332,188

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

Prepaid marketing and development expense refers to the amount stipulated in the 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 and contractors represent various partial payments for the purchase orders of materials and packaging supplies. Advances to contractors pertain to payment of partial cost of contract to renovate leased stores and branches. The amounts are non-interest bearing.

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

Advances to officers and employees pertain to housing, car, salary and other loan granted to the Parent Company's officers and employees which 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.

10. Investments in Subsidiaries

Investments in subsidiaries are accounted for under cost method of accounting, adjusted for impairment loss, if any, and the related percentages of ownership are shown below:

	Percentages of Direct Ownership		Carrying amounts	
	2016	2015	2016	2015
Café France Corp.	100%	100%	P 350,000,000	P 350,000,000
Hemotek Renal Center, Inc.	100%	100%	250,000,000	250,000,000
			P 600,000,000	P 600,000,000

- Café France Corp. is a wholly owned subsidiary incorporated on August 24, 2010 primarily involved in development and operation of Quick Service Restaurants (QSR) doing business under the name and style of "CaféFrance" "Café Ti Amo", "Flavours of China", "Tempura Japanese Grill", "Holy Cow, Steak Ranch and American Grill", "Karate Kid", and "Congo Grille".
- Hemotek Renal Center Inc. is a wholly owned subsidiary principally involved in operating medical centers that provide renal and other health care services.

11. Property, Plant and Equipment

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

	2016					Total
	Land and Improvements	Building and Improvements	Machineries and Equipment	Transportation Equipment		
Cost						
At beginning of year	P 91,340,723	P 566,358,004	P 4,874,571,090	P 18,197,413	P	5,550,467,230
Additions	11,345,641	141,109,399	30,971,993	1,857,143		185,284,176
Disposals	-	-	-	-		-
At end of year	102,686,364	707,467,403	4,905,543,083	20,054,556		5,735,751,406
Accumulated depreciation and amortization						
At beginning of year	17,394,334	223,985,655	2,298,758,080	13,688,588		2,553,826,657
Depreciation and amortization	587,013	11,628,314	110,662,253	627,673		123,505,253
At end of year	17,981,347	235,613,969	2,409,420,333	14,316,261		2,677,331,910
Accumulated impairment losses						
	-	-	318,025,405	-		380,949,989
Net Book Value	P 84,705,017	P 471,853,434	P 2,178,097,345	P 5,738,295	P	2,677,469,507

	2015									
	Land and Improvements		Building and Improvements		Machineries and Equipment		Transportation Equipment		Total	
Cost										
At beginning of year	P	40,540,723	P	507,889,724	P	4,801,525,922	P	25,497,413	P	5,375,453,782
Additions		50,800,000		58,468,280		73,045,168		-	P	182,313,448
Disposals								(7,300,000)		(7,300,000)
At end of year		91,340,723		566,358,004		4,874,571,090		18,197,413		5,550,467,230
Accumulated depreciation and amortization										
At beginning of year		16,611,650		210,431,279		2,154,748,072		12,922,374		2,394,713,375
Depreciation and amortization		782,684		13,554,376		144,010,008		766,215		159,113,283
At end of year		17,394,334		223,985,655		2,298,758,080		13,688,589		2,553,826,658
Accumulated impairment losses		-		62,924,584		318,025,405		-		380,949,989
Net Book Value	P	73,946,389	P	279,447,765	P	2,257,787,605	P	4,508,825	P	2,615,690,584

Depreciation and amortization expense charged to operations amounted to P 185.3 million and P169.5 million for the nine months ended September 30, 2016 and for the year 2015, respectively.

The total cost of fully depreciated property, plant and equipment which are still used amounted to P80.9 million as at September 30, 2016 and 2015.

Property, plant and equipment with a carrying amount of P1.95 billion and have been pledged as security for long-term debts as at September 30, 2016 and 2015 (see Note 15).

12. Intangible Assets

This account consists of:

	2016		2015	
Trademarks and licenses	P	268,042,693	P	223,399,836
Patents and rights		1,010,267		1,145,458
	P	269,052,961	P	224,545,294

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

Patents and Rights pertain to local brand names and patents registered with the Department of Trade-Bureau of Patents, Trademarks and Technology (BPTT), now under Intellectual Property Office (IPO). The Parent Company has registered trade names and trademarks with BPTT. In July 2016, the Parent company, purchased from Advanced Nutritional Technologies (ANTECH), Inc., the brand name Dr. Edwards ® for fifty million (P 50M).

Patents and rights are carried at acquisition cost and being amortized over their remaining registered life not exceeding a period of twenty (20) years.

Movement in patents rights account as at September 30, 2016 and 2015 are as follows:

		2016		2015
Beginning balance	P	1,145,458	P	1,325,712
Amortization during the period		(135,191)		(180,254)
	P	1,010,268	P	1,145,458

Amortization in 2016 and 2015 is charged to "administrative and selling expenses" in the parent company statement of comprehensive income.

No impairment loss on intangible assets was recognized in 2016 and 2015.

13. Other Non-current Assets

This account consists of:

		2016		2015
Prepaid marketing and development expense - net of current portion (<i>Note 9</i>)	P	250,969,115	P	316,200,795
Advances to officers - net of current portion (<i>Note 9</i>)		43,348,026		46,188,522
Deferred input VAT		32,496,272		26,146,226
Available for sale financial assets		200,000		200,000
	P	327,013,413	P	388,735,543

Deferred input VAT refers VAT for purchases of capital goods, the aggregate acquisition cost of which in a calendar month exceeds one million pesos (P1.0 million) which shall be spread evenly on a monthly basis over the estimated useful life of the capital goods or sixty (60) months, whichever is shorter.

Available-for-sale financial assets are the Parent Company's investment in 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 Parent Company under the investee's Subscribers Investment Plan. This is in connection with the various telephone lines acquired by the Parent Company. Investment in Casino Español de Manila represents corporate proprietary shares.

14. Trade Payables

Trade payable mainly includes unpaid billings from the Parent Company's suppliers of raw materials, distributed products and other services. These are non-interest-bearing and normally settled within one (1) year. As at September 30, 2016 and 2015, trade payables amounted to P296.5 million and P334.2 million, respectively.

15. Notes Payable and Long-term Loans

This account consists of:

		2016		2015
Notes payable	P	1,681,690,332	P	1,696,856,333
Long-term loans		790,644,001		952,024,667
	P	2,472,334,333	P	2,648,881,000

The movements of this account are as follows:

		2016		2015
Balance, beginning of year	P	2,648,881,000	P	3,283,386,000
Availments during the year		861,000,000		1,233,000,000
Payments during the year		(1,016,403,667)		(1,867,505,000)
Balance, end of year	P	2,493,477,333	P	2,648,881,000

Notes Payable

Notes payable represents unsecured peso-denominated bank loans with an annual interest ranging from 3.50%-6.00% and 4.00%-6.99% in 2016 and 2015, respectively.

The Parent Company has Omnibus Credit lines in the aggregate amount of about P4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollars), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). The Company's various obligations are secured by the Surety of a Company's key management officer. 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 the loans obtained by the Parent Company from local banks payable in three (3) to seven (7) years on principal amortization and interest rates are based on T-bills plus spread. The loan proceeds were used to refinance short-term notes payable and for capital expenditures.

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

		2016		2015
Land	P	152,519,000	P	152,519,000
Building and improvements		189,045,372		189,045,372
Machineries and equipment		1,759,723,152		1,759,723,152
	P	2,101,287,524	P	2,101,287,524

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. Building and improvements and machineries and equipment are stated at their carrying values.

Long term loans mature until 2019 and bear interest rates ranging from 3.5%-6.0% in 2016 and 3.32%-8.50% in 2015. The maturities of long-term loan at nominal values as at December 31 follow:

Description	Interest rates		2016			Total
			Within 1 year	More than 1 year but less than 3 years	More than 3 years	
<i>(amounts in thousands)</i>						
Term loans	3.5%-6.0%	P	101,524	P 522,117	P 107,146	P 730,787

Description	Interest rates		2015			Total
			Within 1 year	More than 1 year but less than 3 years	More than 3 years	
<i>(amounts in thousands)</i>						
Term loans	3.5%-6.0%	P	322,761	P 522,117	P 107,146	P 952,024

Total interest expenses recognized amounted to P 91.0 million and P 113.8 million in 2016 and 2015, respectively.

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 Parent Company has not committed default in the amortization of its loan and has not committed breaches with loan agreements.

16. Trust Receipts Payable

This account represents trust receipts on letters of credit obtained from various local banks for the importation of various raw materials which bears interest ranging from 3.25% to 6.0% per annum in 2016 and 2015. This is part of the availments from Omnibus Credit lines of various commercial banks.

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) usance and trust receipts available up to 180 days with interest payable / reviewable monthly or every 30 to 90 days in arrears at prevailing bank loan rate. As at September 30, 2016 and 2015, outstanding trust receipts payable amounted to P 234.9 million and P137.9 million, respectively.

17. Other Current Liabilities

This account consists of:

	2016		2015	
Accrued expenses	P	52,757,535	P	35,338,177
SSS/Pagibig/Philhealth premiums and loans		2,279,255		2,252,822
Withholding taxes		4,632,036		5,127,905
VAT payable		13,773,333		16,223,755
	P	73,442,160	P	58,942,659

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

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 October 2016.

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 October 2016.

VAT payable represents for VAT on collection of September 2016, net of allowable input taxes, and was remitted to Bureau of Internal Revenue (BIR) in October 2016.

18. Other Noncurrent Liabilities

This account consists of deferred output tax credits for the nine months ended September 30, 2016 and 2015 amounted to P 1.7 million and P 0.5 million, respectively.

19. Equity

Capital stock

The Company has an authorized share capital of P5,000,000,000 divided into 5,000,000,000 common shares at P1 par value. As at June 30, 2016 and 2015, the number of total common shares subscribed issued and outstanding totaled to 4,112,140,540 shares for a total amount of 4,112,140,540.

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 31, 2016, 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, 2015, to all stockholders of record as at June 15, 2016 and payable on July 08, 2016.

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.

Capital Management

The Parent Company adopted the financial concept of capital which comprises all components of equity, i.e. share capital, share premium retained earnings, etc. The primary objective of the Parent Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Parent Company monitors its use of capital structure using a gearing ratio of debt to equity which is gross debt divided by total capital. The Parent Company includes within gross debt all loans and borrowings, while equity represents total equity. The Parent Company's strategy is to maintain a debt to equity ratio of not exceeding 80%. Following is the computation of the Parent Company's debt-to-equity ratio as at September 30, 2016 and 2015:

	2016	2015
Short-term debts		
Trade payables	P 326,857,682	P 334,211,138
Notes payable	1,762,690,331	1,696,856,333
Current portion of long-term loans	101,523,667	322,761,333
Trust receipts payable	234,908,907	137,914,838
Other current liabilities	73,442,160	58,942,659
	2,499,422,747	2,550,686,301
Long-term debts		
Long-term loans-net of current portion	629,263,334	629,263,334
Other noncurrent liabilities	1,708,484	546,376
Total debt (a)	P 3,130,394,565	P 3,180,496,011
Equity (b)	P 4,865,222,807	P 4,921,368,090
Debt-to-equity	64%	65%

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

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

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

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 Parent Company 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.

2016				
Related Party	Nature	Amount/ Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc. (See Notes 31, 34)	Rent expense Payments	14.9 million (14.9 million)	-	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Wholly-owned subsidiaries				
Hemotek Renal, Inc. (See Note 7, 21)	Sales	28.4 million	160.0 million	Same terms and conditions with ordinary customers Unsecured; Unimpaired; and with 30-120 day credit term
(See Note 9)	Advances	-	30 million	Interest-free, settlement in cash Unsecured; Unimpaired; with no fixed terms of repayments
CafeFrance Corp. (See Note 9)	Advances	-	516.6 million	Interest-free, settlement in cash Unsecured; Unimpaired; with no fixed terms of repayments
Affiliated Companies				
Philtrust Bank (Philippine Trust Company) (See Note 6)	Cash in bank, net deposit Interest income	83.1 million 0.491 million	83.1 million 0.491 million	Earn interest at the prevailing bank deposit rates; unimpaired;
Manila Bulletin Publishing Corp. (See Note 24)	Advertising services Payments	3.03 million (2.69 million)	.340 million	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel (See Note 24)	Hotel services Payments	0.21 million (0.21 million)		Hotel charges are the same as charged to other regular customers:
Philippine Label Park Corp. (See Note 23)	Purchase of labels Payments	1.3 million (1.30 million)	-	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers

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

		2015		
Related Party	Nature	Amount/ Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc. <i>(See Notes 31, 34)</i>	Rent expense Payments	19.8 million (19.8 million)	-	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Wholly-owned subsidiaries				
Hemotek Renal, Inc. <i>(See Note 7, 21)</i>	Sales	37.6 million	162.6 million	Same terms and conditions with ordinary customers Unsecured; Unimpaired; and with 30-120 day credit term
<i>(See Note 9)</i>	Advances	-	30 million	Interest-free, settlement in cash Unsecured; Unimpaired; with no fixed terms of repayments
CafeFrance Corp. <i>(See Note 9)</i>	Advances	44 million	493.6 million	Interest-free, settlement in cash Unsecured; Unimpaired; with no fixed terms of repayments
Affiliated Companies				
Philtrust Bank (Philippine Trust Company) <i>(See Note 6)</i>	Cash in bank, net deposit Interest income	332.7 million 5.9 million	332.7 million 5.9 million	Earn interest at the prevailing bank deposit rates; unimpaired;
Manila Bulletin Publishing Corp. <i>(See Note 24)</i>	Advertising services Payments	7.6 million (7.6 million)	-	Advertising rates charged are the same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel <i>(See Note 24)</i>	Hotel services Payments	1.05 million (1.05 million)	-	Hotel charges are the same as charged to other regular customers:
Philippine Label Park Corp. <i>(See Note 23)</i>	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 <i>(See Notes 9, 13)</i>	Net Advances	9.5 million	48.2 million	Non-interest bearing, payable through salary deductions

21. Net Sales

This account consists of:

	Note	2016	2015
Local sales	20	P 2,162,313,303	P 1,907,012,573
Export sales			
ASEAN		176,383,492	202,156,815
Other Asian countries		17,243,931	18,337,712
Others		23,534,727	15,721,782
		217,162,150	236,216,309
		P 2,379,475,453	P 2,143,228,882

The amount above is net of sales returns and sales discounts for prompt payments and volume discounts which the Company is extending to customers in its ordinary course of business amounted to P 20.2 million and P15.7 million in 2016 and 2015, respectively.

22. Cost of Goods Manufactured and Sold

This account consists of:

	2016	2015
Raw materials used	P 603,341,559	P 523,103,821
Direct labor	85,720,982	90,548,244
Manufacturing overhead	478,987,018	442,455,163
Cost of goods manufactured	1,168,049,559	1,056,107,228
Finished goods		
Beginning of year	739,406,408	981,593,751
Purchases	163,758,297	158,699,774
End of period <i>(Note 8)</i>	(566,784,318)	(836,272,426)
	1,504,429,946	P 1,360,128,327

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

	2016	2015
Beginning of year	P 262,183,834	P 232,614,606
Purchases	586,382,498	601,910,576
Raw materials available for use	848,566,332	834,525,182
End of year	(245,224,773)	(311,421,361)
	P 603,341,559	P 523,103,821

The details of manufacturing overhead charged at September 30, 2016 are as follow:

	Notes	2016	2015
Depreciation and amortization	11	P 115,025,659	P 110,993,885
Repairs and maintenance		126,403,690	98,449,984
Light and water		90,238,452	86,853,411
Gas and oil		53,632,010	62,209,869
Salaries and wages		33,714,097	31,039,050
Contractual services		13,291,469	9,378,461
Laboratory supplies		11,153,298	10,910,930
Employee benefits		7,646,618	7,780,422
Transportation and travel		3,767,319	4,436,287
Production supplies		5,996,111	4,090,588
SSS/MED/ECC/Pagibig Contributions		4,371,913	4,343,489
Taxes and licenses		2,621,468	3,166,561
Representation and entertainment		2,874,054	2,037,158
Insurance		3,216,573	2,509,800
Security services		1,918,642	1,377,028
Research and development		144,910	174,797
Office and warehouse supplies		577,230	496,625
Samples		5,605	80,516
Security agency fee		437,927	341,483
Postage, telephone and telegram		336,957	349,305
Professional fees		270,000	347,340
Rental		781,012	125,000
Training seminars		90,513	1,375
Subscription dues		11,000	11,000
Miscellaneous		460,491	1,700,798
		P 478,987,018	P 443,205,162

23. Distribution Expenses

This account consists of:

	Notes	2016	2015
Delivery expense	P	129,068,874	P 126,273,891
Rentals	20,31	28,832,250	30,800,847
Salaries and wages	29	13,553,791	13,614,882
Taxes and licenses		12,466,695	12,005,859
Repairs and maintenance		2,366,709	3,642,898
Depreciation and amortization	11	3,535,669	3,509,456
Light and water		2,421,059	2,797,825
Office/warehouse supplies		1,033,873	1,412,715
Transportation and travelling		953,733	1,068,811
Postage and telephone		932,624	1,214,476
SSS/Medical/ECC/HDMF		911,401	857,619
Insurance		710,319	638,072
Representation and entertainment		294,574	472,764
Miscellaneous	20	3,171,648	3,028,688
		P 200,253,219	P 201,338,799

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

24. Administrative and Selling Expenses

The details of administrative expenses are as follow:

	Notes	2016		2015
Marketing and Development	P	175,429,243	P	140,775,229
Salaries and commissions	28	82,448,145		84,080,926
Rentals	31	14,866,830		14,866,830
Professional fees		10,389,100		9,948,201
Representation and entertainment		13,429,175		13,831,926
Taxes and licenses		24,171,595		11,745,838
Gas and Oil		2,909,504		3,906,787
Contractual Services		3,007,254		2,752,467
Transportation and travelling		32,479,591		35,263,969
Depreciation and amortization	11	4,943,926		4,856,371
Light and water		4,651,903		4,031,994
Office supplies		2,528,671		1,954,074
Postage and telephone		3,367,291		2,779,277
SSS/Medical/ECC/HDMF		4,140,888		4,114,984
Repairs and maintenance		1,042,186		900,421
Subscription dues		711,815		604,171
Insurance		1,873,514		1,906,323
Miscellaneous	20	6,058,150		8,195,621
		P 388,448,782	P	346,515,407

The details of selling expenses are as follow:

	Notes	2016		2015
Marketing and development expense	9	P 175,367,082	P	140,711,986
Salaries and commissions	29	60,912,012		61,612,282
Transportation and travelling		29,083,868		30,489,218
Representation and entertainment		4,900,227		5,292,019
Gas and Oil		1,270,688		1,584,239
Contractual services		148,079		130,308
SSS/Medical/ECC/HDMF		3,257,159		3,250,439
Postage and telephone		2,041,292		1,549,946
Training and seminars		3,971,408		2,060,516
Insurance		1,276,356		1,550,651
Taxes and licenses		10,088		206,555
Office supplies		552,487		297,885
Depreciation and amortization	11	543,663		448,442
Repairs and maintenance		279,047		271,823
Miscellaneous		3,015,826		3,134,330
		P 286,629,282	P	252,590,638

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

25. Interest Expense

This account consists of interests on loans as follows:

	2016		2015
Short-term loans and payables	60,746,410	P	85,346,746
Long-term loans	30,299,937		28,448,916
	P 91,046,347	P	113,795,662

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

26. Miscellaneous Income/Expense

This account consists of:

		2016		2015
Interest on car/housing loans	P	1,101,053	P	1,624,792
Misc. Income		3,992,384		815,771
Misc. Expense		(6,844,875)		(2,046,947)
		(1,751,438)	P	393,616

"Others" pertain to income from sale of boxes, stability testing, barcode, etc., rental net of misc. charges for penalty of 2012, 2013 and 2014 BIR audit.

27. Research and Development Cost

Research and development (R&D) expenditures amounting to P 11.3 million in 2016 and P 11.1 million in 2015 that were recognized as an expense during the period consist of materials, research cost, laboratory supplies and salary of R&D staff. These are shown in manufacturing overhead and marketing and development expense account under administrative and selling expenses.

28. Retirement Liability

The Company has an unfunded, non-contributory defined benefit retirement plan which covers substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. Under the Plan, the normal retirement age is 60 or after completion of at least 25 years of continuous service but a participant may opt to retire after completion of ten (10) years of continuous service to the Parent Company. Retirement benefit for both normal and early retirement is equivalent to one month average basic salary for each year of service rendered. The latest actuarial valuation was made as at December 31, 2015.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and

other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

	2015	2014
Current service cost	P 8,606,409	P 6,791,328
Net interest cost	4,212,357	4,160,798
	P 12,818,766	P 10,952,126

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

	2015	2014
Cost of goods sold and manufactured	P 5,409,450	P 4,855,568
Distribution expenses	754,517	675,296
Administrative and selling expenses	6,654,799	5,421,262
	P 12,818,766	P 10,952,126

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

	2015	2014
Balance at beginning of year	P 93,816,421	P 93,379,400
Current service cost	8,606,409	6,791,328
Net interest cost	4,212,357	4,160,798
Benefits paid	(10,819,659)	(10,515,105)
Actuarial loss/(gain) due to:		
Experience adjustments	21,250,883	-
Balance at end of year	P 117,066,411	P 93,816,421

The retirement liability is as follows:

	2015	2014
Present value of benefit obligation	P 117,066,411	P 93,379,400
Fair value of plan assets	-	-
Liabilities recognized in the statements of financial position	P 117,066,411	P 93,379,400

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

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

	2015		2014
Balance at beginning of year	P 93,816,421	P	93,379,400
Total retirement expense	12,818,766		10,952,126
Total amount recognized in OCI	21,250,883		-
Actual contributions	-		-
Benefits paid from the Company operating funds	(10,819,659)		(10,515,105)
Balance at end of year	P 117,066,411	P	93,816,421

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

Plan Year	Expected Benefit Payments
Less than 1 year	P 37,582,897
More than 1 year to 5 years	53,644,526
More than 5 years to 10 years	61,411,809
More than 10 year to 15 years	43,067,243
More than 15 year to 20 years	47,174,086
More than 20 years	29,094,608

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

	2015	2014
Discount rate	4.84%	4.49%
Salary increase rate	3.00%	3.00%

The assumptions regarding future mortality rates are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females. In 2015 and 2014, Parent Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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

Description	Increase/decrease in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+1.00%	P 5,136,133
	-1.00%	(10,829,734)
Salary increase rate	+1.00%	2,806,890
	-1.00%	(2,613,828)

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

29. Income Taxes

Provision for income tax includes the regular corporate income tax (RCIT), minimum corporate income tax (MCIT) and final tax paid at the rate of 20% for peso deposits and 7.50% for foreign currency deposits which are final withholding tax on gross interest income. These income taxes as well as the deferred tax provisions are presented for income tax in the Parent Company statement of comprehensive income.

The income tax for the period ended September 30, 2016 and 2015 were estimates and unaudited. The final tax for the year is recomputed and audited by the external auditor of the Company.

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

	2015		2014	
Unfunded retirement liability	P	35,119,923	P	28,144,926
Allowance for impairment of receivables		13,388,680		12,599,613
	P	48,508,603	P	40,744,539

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	28,144,926	P 599,732	P 6,375,265	P 35,119,923
Allowance for impairment losses		12,599,613	789,067	-	13,388,680
	P	40,744,539	P 1,388,799	P 6,375,265	P 48,508,603

		2014			
		Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P	28,013,820	P 131,106	-	P 28,144,926
Allowance for impairment losses		11,833,529	766,084	-	12,599,613
	P	39,847,349	P 897,190	-	P 40,744,539

The Parent Company did not recognized deferred tax asset on impairment loss recognized in the parent company statement of comprehensive income. The management believes that there is no foreseeable future benefit.

30. Commitments

Unused letters of credit

The Parent Company's unused letters of credit amounted to approximately P 239.8 million in 2016 and P 137.9 million in 2015

Operating lease commitments-Parent Company as a lessee

The Parent Company leases a number of branches and warehouses under operating leases. The leases typically run for a period of 1 to 5 years, with the option to renew the lease after that date. The agreement of the parties does not have escalation rate for future rental payables.

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

	September 30, 2016		September 30, 2015	
Cost of goods manufactured and sold <i>(Note 22)</i>	P	781,012	P	125,000
Distribution expense <i>(Note 23)</i>		28,832,250		30,800,847
Administrative and selling expense <i>(Note 24)</i>		14,866,830		14,866,830
	P	44,480,092	P	45,792,677

31. Contingencies

As at September 30, 2016, the Parent Company had a total of forty-five (45) pending cases, forty-one (41) of which were filed by the Parent Company in various dates and courts in the Philippines against its customers for the collection of various amounts and/or bouncing checks and a case filed by a former employee in the Labor Relation Commission. The aggregate amount claimed for these forty-two (42) collection cases and labor is approximately P11.8 million which is less than one percent (1%) of the Parent Company's current assets. The remaining other cases are insolvency cases by clients where the Parent Company has pending accountabilities.

32. Earnings Per Share (EPS)

Computation of basic and diluted EPS is shown below:

	2016		2015	
Net income	P	135,461,744	P	93,883,917
Divided by the weighted average number of shares		4,112,140,540		4,112,140,540
	P	0.03	P	0.02

33. Financial Risk Management Objectives and Policies

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

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

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

Credit Risk

To manage credit risk, the Parent Company trades only with recognized and credit-worthy customers. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification process with emphasis on their capacity, character and willingness

to pay. Each customer, whether corporate or otherwise, has an approved maximum credit limit. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

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

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

	2016		2015	
Cash in banks	P	784,165,856	P	861,352,509
Receivables		1,683,841,030		1,731,301,333
Other current assets				
Advances to subsidiaries		546,574,949		523,574,949
Advances to suppliers and contractors		109,703,034		69,496,366
Bidders and performance bonds		31,294,892		40,001,376
Advances to officers/employees		22,134,006		22,643,291
Other non-current assets				
Advances to officers/employees		43,848,026		46,188,522
Available-for-sale financial assets		200,000		200,000
	P	3,221,761,794	P	3,294,758,346

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

The table below shows the credit quality by class of financial assets as of September 30, 2016 and 2015, gross of allowance for credit and impairment losses.

	2016						Total
	Neither Past Due Nor Impaired			Past Due But Not Impaired			
	High Grade	Standard Grade	standard Grade				
Loans and Receivable							
Cash in banks	P	864,500,516	P	-	P	-	864,500,516
Receivables		715,094,882		-		968,746,148	1,683,841,030
Other current assets							
Advances to subsidiaries		546,574,949		-		-	546,574,949
Advances to suppliers and contractors		109,703,034		-		-	109,703,034
Bidders and performance bonds		31,294,892		-		-	31,294,892
Adv. To officers & employees		22,134,006		-		-	22,134,006
Other non-current assets							
Adv. To officers & employees		43,348,026		-		-	43,348,026
Available-for-sale financial assets		200,000		-		-	200,000
	P	2,332,850,305	P	-	P	-	968,746,148
					P		3,301,596,453

		2015							
		Neither Past Due Nor Impaired					Past Due But Not Impaired		
		High Grade	Standard Grade	Substandard Grade					Total
Loans and Receivable									
Cash in banks	P	861,352,509	P -	P -	P -	-	P	861,352,509	
Receivables		480,550,355	-	-		1,250,750,978		1,731,301,333	
Other current assets									
Advances to subsidiaries		523,574,949	-	-		-		523,574,949	
Advances to suppliers and contractors		69,496,366	-	-		-		69,496,366	
Bidders and performance bonds		40,001,376	-	-		-		40,001,376	
Adv. To officers & employe		22,643,291	-	-		-		22,643,291	
Other non-current assets									
Advances to officers		46,188,522	-	-		-		46,188,522	
Available-for-sale financial assets		200,000	-	-		-		200,000	
	P	2,044,007,368	P -	P -	P -	1,250,750,978	P	3,294,758,346	

The Parent Company'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 September 30, 2016 and 2015, the aging analysis per class of financial assets is as follows:

		2016										
		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	864,500,516										
Receivables, net		1,687,289,532	598,312,868	312,416,513	776,560,151	-	-					
Other current assets												
Advances to subsidiaries		546,574,949		-	-	-	-					
Advances to suppliers and contractors		109,703,034		-	-	-	-					
Bidders and performance bonds		31,294,892										
Adv. To officers & employees		22,134,006				-	-					
Other non-current assets												
Advances to officers		43,348,026				-	-					
Available-for-sale financial assets		200,000	200,000	-	-	-	-					
	P	3,305,044,955	P	598,512,868	P	312,416,513	P	776,560,151	P	-	P	-

	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 861,352,509	P 861,352,509	P -	P -	P -	P -	P -	P -
Receivables, net	1,731,301,333	480,550,355	290,854,457	959,896,521	-	-	-	-
Other current assets								
Advances to subsidiaries	523,574,949	530,228,773	-	-	-	-	-	-
Advances to suppliers and contractors	69,496,366	77,753,544	-	-	-	-	-	-
Bidders and performance bonds	40,001,376	40,001,376	-	-	-	-	-	-
Adv. To officers & employ	22,643,291	22,643,291	-	-	-	-	-	-
Other non-current assets								
Adv. To officers & employ	46,188,522	46,188,522	-	-	-	-	-	-
Available-for-sale financial assets	200,000	200,000	-	-	-	-	-	-
	P 3,317,401,637	P 2,066,650,659	P 290,854,457	P 959,896,521	P -	P -	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 Parent Company's financial liabilities as at September 30, 2016 and 2015 based on contractual undiscounted payments (principal and interest).

	2016					
	Total Carrying Value	On demand	Contractual undiscounted payments			
			Less than 1 year	1 to 5 years	> 5 years	
Trade payables	P 326,857,682	-	-	-	-	-
Notes payable	1,762,690,331	-	-	-	-	-
Long-term (including current portion)	730,787,001	-	101,523,667	629,263,334	-	-
Trust receipts payable	234,908,907	-	-	-	-	-
Other current liabilities						
Accrued expenses	73,442,160	-	-	-	-	-
Other non-current liabilities	1,708,484	-	-	-	-	-
	P 3,130,394,565	P -	P 101,523,667	P 629,263,334	P -	P -

	2015					
	Total Carrying Value	On demand	Contractual undiscounted payments			
			Less than 1 year	1 to 5 years	> 5 years	
Trade payables	P 334,211,138	P -	P 334,211,138	P -	P -	-
Notes payable	1,696,856,333	-	1,696,856,333	-	-	-
Long-term (including current portion)	952,024,667	-	322,761,333	629,263,334	-	-
Trust receipts payable	137,914,838	-	137,914,838	-	-	-
Other current liabilities						
Accrued expenses	35,338,176	-	35,338,176	-	-	-
Other non-current liabilities	546,376	-	-	546,376	-	-
	P 3,156,891,528	P -	P 2,527,081,818	P 629,809,710	P -	-

Interest Rate Risk

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

As at September 30, 2016 and 2015, the Parent Company's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Parent Company manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

The following tables show comparative information about the Parent Company's financial instruments as at December 31 that are exposed to interest rate risk and presented by maturity profile for the next five years from September 30, 2016 and December 31, 2015 figures (in thousands):

Description	Interest rates	2016				Total
		Within 1 year	More than 1 year but less than 3 years	More than 3 years		
		<i>(in thousands)</i>				
Notes payable	3.25%-6.0%	P 1,762,690	P -	P -	P 1,762,690	
Trust receipts payable			-	-	-	
Long-term loans	3.50%-6.0% 2.7%-8.5%	101,524	522,118	107,146	730,788	
		P 1,864,214	P 522,118	P 107,146	P 2,493,478	

Description	Interest rates	2015				Total
		Within 1 year	More than 1 year but less than 3 years	More than 3 years		
		<i>(in thousands)</i>				
Notes payable	3.5%-6.0%	P 1,696,856	P -	P -	P 1,696,856	
Trust receipts payable	4.0%-6.0%	137,915	-	-	137,915	
Long-term loans	2.7%-8.5%	322,761	522,118	107,146	952,025	
		P 2,157,532	P 522,118	P 107,146	P 2,786,796	

Price Risk

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

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

Foreign Exchange Risk

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

The Parent Company holds foreign currency-denominated deposits amounting to P 457,102,137 or U.S. \$ 9,479,513 as at September 30, 2016 and P 544,165,624 or U.S. \$11,511,860 as at December 31, 2015, which can be affected by fluctuations of foreign currency exchange.

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

	2016		2015	
	Foreign currency	Peso Conversion	Foreign currency	Peso Conversion
US Dollar	4,533,174	P 218,589,649	7,568,212	P 357,749,398
Euro	75,392	4,077,199	92,850	4,819,822
Singapore Dollar	25,051	888,806	15,766	527,732
ZAR	64,883,063	201,202,378	42,642,136	157,349,481
RUB	24,540,291	32,344,103	17,909,694	23,719,191
		P 457,102,137		P 544,165,624

The Parent Company also has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Parent Company's functional currency. As of September 30, 2016 and December 31, 2015, approximately are the same at 11% of the Parent Company's total sales are denominated in currencies other than the functional currency.

The table below summarizes the Parent Company's exposure to foreign exchange risk as of September 30, 2016 and December 31, 2015:

34. Financial Assets and Liabilities

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

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
<i>Loans and receivables</i>				
Cash in banks	P 864,500,516	P 864,500,516	P 861,352,509	P 861,352,509
Receivables, net	1,687,192,383	1,687,192,383	1,731,301,333	1,731,301,333
<i>Other current assets</i>				
Advances to subsidiaries	546,574,949	546,574,949	523,574,949	523,574,949
Advances to suppliers and contractors	109,703,034	109,703,034	69,496,366	69,496,366
Bidders and performance bonds	31,294,892	31,294,892	40,001,376	40,001,376
Advances to officers & employees	22,134,006	22,134,006	22,649,291	22,649,291
<i>Other non-current assets</i>				
Advances to employees	43,348,026	43,348,026	46,188,522	46,188,522
Available-for-sale financial assets	200,000	200,000	200,000	200,000
	P 3,304,947,807	P 3,304,947,807	P 3,340,952,868	P 3,340,952,868
Financial Liabilities:				
<i>Other financial liabilities</i>				
Trade payables	P 326,857,682	P 326,857,682	P 334,211,138	P 334,211,138
Notes payable	1,762,690,331	1,762,690,331	1,696,856,333	1,696,856,333
Trust receipts payable	234,908,907	234,908,907	137,914,838	137,914,838
Long-term loans	730,787,001	730,787,001	952,024,666	952,024,666
<i>Other current liabilities</i>				
Accrued liabilities	73,442,160	73,442,160	35,338,176	35,338,176
Other non-current liabilities	1,708,484	1,708,484	546,376	540,912
	P 3,130,394,565	P 3,130,394,565	P 3,751,341,014	P 3,738,573,317

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

The fair values of cash in banks, receivables, net, advances to subsidiaries, suppliers and contractors, to officers, to employees, bidders and performance bonds, trade payables and other non-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, the fair value is based on the discounted values of future cash flows using the applicable zero coupon rates.

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

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

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

Fair Value Measurement Hierarchy

As at September 30, 2016 and 2015, the Parent Company has no financial instruments measured at fair value.

35. Other Matters

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

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