

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

Yes [x] No []

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

Philippine Stock Exchange

Common Stock

12. Check whether the issuer:

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

Yes [x] No []

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

Yes [x] No []

13. The aggregate market value of the voting stock held by non -affiliates of the registrant amounted to ₱ 673,657,676 (based on closing market price on March 24, 2017 of ₱ 1.70 per share).

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

	<u>Page</u>
Part I BUSINESS AND GENERAL INFORMATION	
Item 1 Business	1-8
Item 2 Properties	8-9
Item 3 Legal Proceedings	9
Item 4 Submission of Matters to a Vote of Security Holders	9
Part II OPERATIONAL AND FINANCIAL INFORMATION	
Item 5 Market for Issuer's Common Equity and Related Stockholder Matters	9-11
Item 6 Management's Discussion and Analysis or Plan of Operation	11-17
Item 7 Financial Statements *	16 and 27-96
Item 8 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	16-17
Part III CONTROL AND COMPENSATION INFORMATION	
Item 9 Directors and Executive Officers of the Issuer	17-21
Item 10 Executive Compensation	21-22
Item 11 Security Ownership of Certain Beneficial Owners and Management	22-23
Item 12 Certain Relationships and Related Transactions	23-24
Part IV ANNUAL CORPORATE GOVERNANCE REPORT	
Item 13 Annual Corporate Governance Report	24
Item 14 Minimum Public Ownership (MPO)	24
Part V EXHIBITS AND SCHEDULES	
Item 15 Exhibits and Reports	25 -26 and 27-115
SIGNATURES	26

PART I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

History and Background

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

1. Hemotek Renal Center, Inc. (Hemotek /the Subsidiary), a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center.
2. CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto.

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

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

Products

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

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

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

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

Large Volume Parenterals

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

Small Volume Parenterals

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

Specialty Fluids

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

Other Drug Preparation

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

Medical Devices

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

The Products that are now available in the market are:

1. Lifeshield™ Primary Set PP Ysite 80IN NDEHP
2. Lifeshield™ Primary I.V. 100 Set, Y-Clave & Option-LOK
3. Lifeshield™ Burette with Valve PP Site Microdrip 198CM
4. Lifeshield™ Primary I.V. 100 Inch w/ Clave Microdrip
5. Lifeshield™ Primary Set Microdrip PP Ysite 80IN NDEHP
6. Lifeshield™ NDEHP Blood Set W/ Filter 203CM
7. Lifeshield™ Y-Type Blood Set, Blood Set Y-Type with Cylinder Pump
8. Lifeshield™ NDEHP EXT Set 2 PP Ysite 84CM

In 2015, Pfizer Phils., Inc and Hospira Phils., Inc. began operations as a single organization.

Limulus Amebocyte Lysate (LAL) Test

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

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

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

Bottled Water

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

Toll Manufacturing

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

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

Effects of existing or probable governmental regulations on the business

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

Transactions with and/or dependence on related parties

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

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

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

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

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

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

1. Drug Manufacturer
2. Medical Device Manufacturer
3. Medical Device Distributor/Importer/Wholesaler/Exporter
4. Food Manufacturer
5. Drug Trader
6. Drug /Importer/Wholesaler
7. Bottled Drinking Water Processor / Toll Manufacturer
8. Cosmetic Distributor
9. Food Distributor / Exporter/ Wholesaler
10. Certificate of Current Good Manufacturing Practice for Non-Pen Sterile Products
11. Certificate of Current Good Manufacturing Practice for Medical Device

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

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

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

In 2016, the Company acquired the local trademark "Dr. Edwards", owned by and registered under the name of Advanced Nutritional Technologies (ANTECH) Inc. and all registered intellectual property rights associated with these trademarks, through the assignment by Antech of the subject trademark to the Company.

Employees and labor contract

As of December 31, 2016, Euro-Med (Parent Company) employs a total of 723 employees, consisting of 13 Executive Officers, 81 Managerial and 616 rank and file and casual personnel. There has not been a strike in the company. In a Certification Election on November 4, 1999 held under the supervision of the Department of Labor and Employment (DOLE) – Region IV, Euro-Med Employees Union won and was subsequently certified on November 15, 1999 as the sole and exclusive bargaining agent of regular rank and file employees of Euro-Med Laboratories Phil., Inc. for purposes of collective bargaining. A collective bargaining agreement (CBA) was ratified on March 13, 2009 that would cover the period January 1, 2010 to December 31, 2014. A new CBA was ratified on March 2014 that would cover the period January 1, 2015 to December 31, 2019. Among others, the CBA provide for the following benefits:

- (a) Annual salary increase.
- (b) Birthday, Bereavement, Graduation and Wedding leave with pay.

- (c) Optional retirement after 10 years of service.
- (d) Free uniforms
- (e) Housing and emergency assistance loan

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

1. Hemotek Renal Center, Inc., a 100% owned firm which was incorporated in June 2008 and is engaged as a dialysis center. This subsidiary has a total of 280 employees as of December 31, 2016.
2. CafeFrance Corp. (CafeFrance / the Subsidiary), a 100% owned firm which was incorporated in August 2010 and is engaged to operate restaurants, bakeries, food services, catering, food production and other related services incidental thereto. The subsidiary has a total of 372 employees as of December 31, 2016.

Raw Materials

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

Marketing and Distribution

Industry Data

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

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

Euro-Med is the leading manufacturer of LVP in the Philippines with about eighty percent (80%) market share in the country (based on Company data). Euro-Med competes with other companies such as Baxter Healthcare Phil., Inc., B. Braun Medical Supplies, Inc., LVP Philippines Inc. and Endure Medical Inc. Euro-Med competes in terms of quality, price, availability, delivery service and customer relations. Euro-Med's continued success in the IV Fluids market can be attributed to its high quality products, wide range of product line, competitive price, availability, efficient delivery and dedicated sales team. The Company has a customer base composed of more than 8,000 institutions nationwide. The Company's sales, therefore, are not dependent on one or a few major customers and no customer accounts for more than ten percent (10%) of the Company's sales. Among the Company's customers are hospitals, clinics, drugstores, medical distributors and traders as well as corporate/industrial accounts. Euro-Med's primary customers are hospitals all over the country. Hospitals can be either private or government, sub-divided into primary, secondary and tertiary levels, depending on the bed capacity and hospital equipment. In 2016 sales to hospitals and clinics accounted for approximately 72% of total revenues. Sales to drugstores reached 15% while combined revenues from distributors, traders, industrial accounts and laboratories reached approximately 13% of total Company revenues.

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

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

in Mindanao. At present, Euro-Med is leasing these provincial depots except Plaridel, Bulacan which is owned by the Company.

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

Exports

Euro-Med is presently exporting its intravenous fluids to several countries and will be expanding its international customer base to include markets in other parts of the world. In 2014, 2015 and 2016, export sales contributed approximately 12%, 16% and 9% respectively of total Company sales. The Company products are imported and distributed by a local distributor(s) in the respective countries. The breakdowns of exports per region for the past three (3) years are as follows:

REGION	2014		2015		2016	
	P (000)	%	P (000)	%	P (000)	%
ASEAN	294,480	79.9%	239,619	74.3%	254,406	81.9%
Other Asia	14,632	4.0%	38,278	11.9%	20,976	6.75%
Africa	9,205	2.5%	0	0.0%	0	0.0%
Others	50,305	13.6%	44,427	13.8%	35,229	11.34%
Total	368,622	100.0%	322,324	100.0%	310,611	100.0%

Research and Development

Euro-Med is continuously developing additional pharmaceutical products for ophthalmic, inhalation, irrigation and other health care purposes. In 2014, 2015 and 2016, the Research and Development Department of Euro-Med spent ₱ 19.3 million, ₱ 14.1 million and ₱ 16.6 million respectively to develop new products. The funds were used to purchase raw materials and laboratory equipment to test the new formulations.

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

Costs and effects of compliance with environmental laws.

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

Major business risks

- **Raw materials**

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

- **Product registration**

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

- **Foreign Exchange**

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

- **Medical Supplies**

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

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

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

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

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

- **Medical Practice Risks**

Hemotek Stand alone units do not accept critical patients and refer these to hospitals. Hemotek Hospital Units risk falls under the management of the hospital.

- **Raw Materials.**

CafeFrance prides itself as the place for fresh and healthy food. Sourcing of the raw materials that go into every CafeFrance product is therefore of paramount importance, requiring a good balance between managing costs and ensuring a reliable, uninterrupted and abundant supply that meet its quality standards for freshness, safety and consistency. The flour that is used in its baked products is imported all the way from France, and all the fresh produce that are used in all the stores go through a careful inspection and selection process, demanding huge man-hours of quality control. As perishable raw materials are susceptible to price fluctuations, it has been a challenge for the Purchasing function to meet demand requirements within cost budgets. Since stock-outs translate to

lost revenue, the Company has had to keep a balance between managing margins and biting the bullet to buy these raw materials at higher costs, just to keep the customer relationship and ensure vendor's continuity of supply. One of the strategies being adopted is to go directly to the source of these raw materials to save on middle-men costs, look for substitute raw materials without compromising flavor and quality, and or accredit and maintain more suppliers whose pooled supply capacity can meet our requirements. We have also taken to locking these vendors on supply agreements for a quarter or more, just to manage the cost volatility and reasonably predict and ensure product margins.

- **Stores**

CafeFrance stores are insured against fire, food poisoning, loss of money and securities inside the stores' premises due to robbery or burglary, as well as liability for accidents within the stores' premises. While insurance costs are high, the Company has opted to get a comprehensive insurance coverage to manage its risks from the above incidents, thereby limiting possible losses arising from any of the above incidents.

- **Manpower**

CafeFrance is highly dependent on its human resources, investing heavily in the training of personnel in its stores and its Commissary. All personnel in the commissary are compliant with government-mandated clearances for workers in the food industry, and some of them even have special accreditations and licenses beyond what the government requires. Our coterie of personnel at the stores all went through a rigorous selection process and a uniform service standards training; but beyond the costs of recruitment and training, CafeFrance continues to contend with the industry reality of employee turnover. Employee retention has been a challenge, and to mitigate the risk of possible disruption in our operations arising from sudden employee resignations, the Company has had to rely on outsourced services providers for the steady supply of manpower. Over and above the payroll of the outsourcing service provider, CafeFrance has had to pay a premium for the provider's administration fees, but in so doing, the Company has managed to address the risk of manpower supply as well as the perennial issue on employee turnover.

Item 2 Properties

Cavite Plant

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

Bulacan Depot

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

Manila

In Oct. 2015, Euro-Med acquired a parcel of land in Lamayan Sta. Ana, Manila, with a total area of 1,530.80 square meter, more or less. The building is now under construction for possible lease to its subsidiary, CafeFrance.

Properties/Offices under lease

The Company leases the following properties:

- (a) The Company's head office at the PPL Building, United Nations Avenue corner San Marcelino Street, Manila from U. S. Automotive Co., Inc., a majority stockholder of the company. The lease is for a one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent for the year 2016 amounted to ₱ 19,822,440.
- (b) The Company's fourteen (14) depots which are located strategically in key cities all over the country. The lease contracts are for a one (1) year period and are being renewed annually subject to mutual agreement of the parties. The rent for the year 2016 amounted to P 12.2 million
- (c) The Company's warehouse located in Silang, Cavite. The lease contract is for 5 year period and is subject to renewal upon mutual agreement of the parties. The rent for the year 2016 amounted to P 27.3 million.

The Company plans to acquire a land in Silang, Cavite and construct its own warehouse. This will save rent expense of about P 27.3 million per annum.

ITEM 3 Legal Proceedings

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

As of December 31, 2016, the Company had a total of forty- six (46) pending cases, forty-one (41) were filed by Euro-Med in various dates and courts in the Philippines against its customers for the collection of various amounts and/or bouncing checks, and a case filed by a former employee in the Labor Relations Commission. The aggregate amount claimed for all cases and labor is approximately P 11.8 million which is less than 1% of the group's current assets. The remaining other cases are insolvency cases by clients where Euro-Med has pending accountabilities.

Item 4 Submission of Matters to a Vote of Security Holders

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

1.) Market Information

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

The high and low sales prices of the shares are:

	HIGH	LOW
2017		
1st quarter	1.70	1.70
2016		
1st quarter	1.83	1.51
2nd quarter	2.30	1.66
3rd quarter	1.83	1.72
4th quarter	1.77	1.66
2015		
1st quarter	2.89	1.3
2nd quarter	1.88	1.75
3rd quarter	2.05	1.58
4th quarter	1.77	1.66

The market price per share of Euro-Med is ₱ 1.70 on March 24, 2017 (the latest practicable trading date before submission of the report).

2.) Holders

As of Mar. 24, 2017, the Company has on record a total of 543 stockholders with a total of 4.112 Billion issued and outstanding shares. The top twenty (20) stockholders are as follows:

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

3.) Dividends

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

YEAR	Kind	Amount	Rate	Record Date
2014	Cash	205.6 Million	5.00%	June 20, 2014
2015	Cash	205.6 Million	5.00%	June 19, 2015
2016	Cash	205.6 Million	5.00%	June 15, 2016

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

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

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

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

Calendar Year 2016 Compared to Calendar Year 2015

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

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

1.) The Company's net sales increased by 8.2 % from ₱ 4,462.3 million in 2015 to ₱ 4,830.2 million in 2016. The domestic sales increased by 9.2% from ₱ 4,140.0 million in 2015 to ₱ 4,519.6 million in 2016, while Export sales decreased by 3.6% from ₱ 322.3 million in 2015 to ₱ 310.6 million in 2016. The increase/decrease in sales indicator was chosen by management as it disclosed the level of performance the Company has attained against the targeted growth. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 16.2% from ₱ 1,427.7 million for the year 2015 to ₱ 1,659.2 million for the year 2016. Cost of sales and service increased by 4.5% from ₱ 3,034.6 million in 2015 to ₱ 3,171.0 million in 2016. However, as a percentage of net sales, Cost of sales and service decreased from 68.0% in 2015 to 65.7% in 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.) Operating income (income after administrative, selling and distribution expenses) increased by 20.4% from ₱ 465.2 million for the year 2015 to ₱ 560.1 million for the year 2016. Operating expenses (administrative, selling and distribution) increased by 14.2% from ₱ 962.60 million in 2015 to ₱ 1,099.1 million in 2016. The increase was due to the increased operating expenses i.e. marketing development expense, transportation and travelling, rentals, and electricity. As a percentage of net sales, operating expenses increased from 21.6% in 2015 to 22.8% in 2016. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling and distribution expenses. The percentage change in income from operations is calculated by dividing the peso increase in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance cost/income (finance income, finance costs and other income) decreased by 8.6% from ₱ (128.8 million) in 2015 to ₱ (117.8 million) in 2016. Changes in net finance costs/income indicator provides information on significant elements of other income and other expenditures from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in net finance income/charges by the peso finance income/charges during the comparable period of previous year.

5.) Provision for income tax increased by 32.6% from ₱ 105.4 million in 2015 to ₱ 139.7 million in 2015. The total comprehensive income increased by 39.86% from ₱ 216.5 million in 2015 to ₱ 302.6 million in 2016. Changes in total comprehensive income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of-return expectations. The percentage change in total comprehensive income is calculated by dividing the peso increase in total comprehensive income by the peso total comprehensive income during the comparable period of previous year.

The Company's total assets increased by 2% from ₱ 9,125.2 million in 2015 to ₱ 9,280.2 million in 2016. Current ratio decreased by 8% from 1.38:1 in 2015 to 1.28:1 in 2016. Debt ratio is the same at 0.46:1 in 2015 to 0.46:1 in 2016, while the equity ratio is also the same at 0.54:1 in 2015 and 2016.

The decrease in cash and cash equivalents was due to advance payment to suppliers, acquisition of property and payments of loans. The increase in trade and other receivable was due to the increase in sales for the year 2016 including notes receivable for the balance of the acquisition of local trademark "Dr. Edwards" from Advanced Nutritional Technologies (ANTECH). The increase in other current assets was due to the advances to suppliers. The increase in deferred tax assets and retirement benefit obligation were due to the availment of retirement expense per PAS #19 (revised 2013). The increase in Intangible assets was due to the acquisition of Dr. Edwards trademark. The decrease in other non-current assets was due to amortization of prepaid marketing expense. The decrease in Trade payables was due to the payments of various suppliers. The increase in acceptances payable/trust receipts was due to the availment of trust receipts on letters of credit for the importation of raw materials and local distributed products. The increase in income tax payable was due to higher income for year 2016. The decrease in total Notes Payable (short term & long term) was due to the payments made on loans. The increase in other current liabilities was due to the increase in agency payable and accrual of expenses. The increase in other-noncurrent liabilities was due to the increase in deferred output VAT payable. The increase in retained earnings was due to the net income for year 2016, net of dividends payments

Projection

The Company expects to increase its sales in 2017 by about 16% primarily due to the expected increase in Local and Export sales and increase in sales of CafeFrance Corp. and Hemotek Renal Center, Inc. The parent company is continuously expanding its present product lines to include specialty products for inhalation, ophthalmic, irrigation and other health care purposes. Likewise, it expects to open new export markets in other countries and increases the number of products being exported. The subsidiaries are continuously opening-up new branches throughout the country. The expected net income for 2017 is about P377 million, which is about 6% to 7% of sales.

Calendar Year 2015 Compared to Calendar Year 2014

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

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

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

by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) The gross profit on sales increased by 1.4% from ₱ 1,407.8 million for the year 2014 to ₱ 1,427.7 million for the year 2015. Cost of sales and service decreased by 7.9% from ₱ 3,295.8 million in 2014 to ₱ 3,034.6 million in 2015. However, as a percentage of net sales, Cost of sales and service decreased from 70.1% in 2014 to 68.0% in 2015. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year

3.) Income from operations (income after administrative, selling and distribution expenses) increased by 1.3% from ₱ 461.8 million for the year 2014 to ₱ 467.6 million for the year 2015. Operating expenses (administrative, selling and distribution) increased by 1.5% from ₱ 946.0 million in 2014 to ₱ 960.1 million in 2015. The increase was due to the increased operating expenses i.e. marketing development expense, transportation and travelling, rentals, and electricity. As a percentage of net sales, operating expenses increased from 20.1% in 2014 to 21.5% in 2015. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling and distribution expenses. The percentage change in income from operations is calculated by dividing the peso increase in operating income by the peso operating income during the comparable period of previous year. The percentage change in operating expenses is calculated by dividing the peso increase in operating expenses by the peso operating expenses during the comparable period of previous year.

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

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

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

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

Projection

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

Calendar Year 2014 Compared to Calendar Year 2013

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

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

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

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

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

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

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

The Company's total assets increased by 2.64% from ₱ 9,337.4 million in 2013 to ₱ 9,584.2 million in 2014. Current ratio increased by 28.11% from 1.16:1 in 2013 to 1.49:1 in 2014. Debt ratio increased by 2.88% from 0.47:1 in 2013 to 0.48:1 in 2014, while the equity ratio decreased by 2.56% from 0.53:1 in 2013 to 0.52:1 in 2014.

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

Projection

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

Liquidity and Capital Resources

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

Capital expenditures for the years 2014, 2015 and 2016 were ₱ 268.6 million, ₱ 249.3 million and P380.3 million respectively. These capital expenditures related primarily to the expansion programs of the Company for land, buildings, machinery and equipment.

Working capital and capital expenditures for the years 2014, 2015 and 2016 were financed through internally generated funds, and short term and long-term borrowings from various commercial banks.

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

Plans of the Company

Euro-Med intends to expand its present product line to include specialty products for inhalation, ophthalmic, irrigation and other healthcare purposes. New products will include oral drug preparation in

tablet, syrup and suspension. The Company expects to open new export markets in other countries and increased the number of products being exported. The subsidiaries are continuously looking for branches throughout the country.

Item 7 Financial Statements

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

Exhibit II - Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2014, 2015 and 2016.

Item 8 Information on Independent Accountant and other Related Matters

1.) External Audit fees and Services

a.) Audit and Audit Related Fees

The aggregate fees billed by the Company's external auditors for the years 2016 and 2015 is the same at P350,000. These amounts cover the cost of the regular audit of the Company's annual financial statements in connection with statutory and regulatory filings for those covered years. These fees also include consultation on minor accounting matters and minor tax matters, such as queries on new BIR regulations, computation of VAT, etc. Any work that will involve our external auditors to represent the company on cases with the Bureau of Internal Revenue and other regulatory bodies are considered major accounting and tax matters which shall be billed commensurate with the number of hours spent by the auditors working on such consultation.

b.) Tax fees – None

c.) All other fees – None

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

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

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

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

For the current year 2016, the appointment of external auditors of Teodoro Santamaria Canlas & Co., CPA's was approved by the shareholders' at the last Annual Stockholders meeting held on 15 and June 2016 and per Board Resolution No. 15-05-001, which resolution was unanimously adopted by the Board in its meeting held on 16 May 2016.

The Company was informed last March 24, 2017 that to date, the application for the renewal of accreditation of the signing partner of our current auditor, Teodoro Santamaria Canlas & Co., CPAs, Mr. Noel Canlas under group A Category has not yet been released, pending review by the Securities and Exchange Commission. The Audit committee in its meeting on March 27, 2017, recommended

the engagement of Mangay-Ayam, Lim & Co., CPAs from Teodoro Canlas & Co. CPAs. The change of external auditor, for the reasons beyond the control of the Company, will be submitted for confirmation and ratification by the stockholders in the upcoming Annual Shareholders' Meeting of the Company on June 28, 2017.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Issuer

Each of the directors and officers serve a term of one (1) year until the election and qualification of their successors. Following are the Company's board of directors as of December 31, 2016.

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Terms (yrs)</u>
Dr. Tomas P. Maramba, Jr. *	85	Filipino	Honorary Chairman Emeritus	22
Dr. William G. Padolina *	70	Filipino	Director/Chairman of the Board	17
Mr. Edwin Feist *	68	Australian	Director/Vice Chairman	6
Mrs. Georgiana S. Evidente	56	Filipino	Director	22
Dr. Evangeline V. Baviera	62	Filipino	Director	20
Mr. Johnny C. Yap	45	Filipino	Director/Vice Chairman	22
Mr. Basilio C. Yap	67	Filipino	Director/Vice Chairman	3
Mr. Emilio C. Yap III	45	Filipino	Director	3
Atty. Francis Gaw	69	Filipino	Director	3
Mr. Benjamin C. Yap	71	Filipino	Director	1
Mr. Michael Vincent Y. Yap	40	Filipino	Director	1

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

The following are the Company's key executive officers as of December 31, 2016:

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>	<u>Previous Term (yrs.)</u>
Mrs. Georgiana S. Evidente	56	Filipino	President	22
Dr. Evangeline V. Baviera	62	Filipino	Executive Vice President	20
Mr. Johnny C. Yap	44	Filipino	EVP/Treasurer and Assistant Corporate Secretary	22
Mr. Michael Vincent Y. Yap	40	Filipino	Vice President/Asst. Corp. Secretary	
Mrs. Janice R. Ong	45	Filipino	Corporate Secretary	10

- The company had created the following Board Committees:

a.) Audit Committee:

* Current membership are:

- a.1) Dr. William G. Padolina – Independent Director (Chairman)
- a.2) Mr. Edwin D. Feist - Independent Director
- a.3) Atty. Francis Gaw - Director

a.4) Dr. Evangeline V. Baviera - Director

a.5) Dr. Johnny C. Yap - Director

b.) Nomination Committee:

* Current membership are:

b.1) Dr. Johnny C. Yap – Director (Chairman)

b.2) Dr. William G. Padolina – Independent Director

b.3) Mrs. Georgiana S. Evidente – Director

- The company has not yet created Corporate Governance Committee.

DR. TOMAS P. MARAMBA, JR. Age: 85
Chairman Emeritus

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

DR. WILLIAM G. PADOLINA Age: 70
Chairman of the Board

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

He is also currently a Senior Fellow at the Southeast Asian Center for Graduate Study and Research in Agriculture. He was elected President of the National Academy of Science and Technology, Philippines in October 2012 for a term of three years.

MRS. GEORGIANA S. EVIDENTE **Age: 56**
Director and President

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

DR. EVANGELINE V. BAVIERA **Age: 62**
Director and Executive Vice President

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

MR. JOHNNY C. YAP **Age: 44**
Director, Executive Vice President, Treasurer and Assistant Corporate Secretary

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

MRS. JANICE R. ONG **Age: 46**
Corporate Secretary

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

MR. EDWIN D. FEIST **Age: 68**
Independent Director

Mr. Edwin D. Feist, a married Australian, has over 42 years international experience in the health care industry working in 3 continents: North America, Asia, Australia and New Zealand. Starting out

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

MR. BASILIO C. YAP **Age: 67**
Director

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

MR. EMILIO C. YAP, III **Age: 45**
Director

Dr. Emilio C. Yap, III, a Filipino, graduated from De La Salle University in 1994 with a degree of Bachelor of Science in Accountancy. He was conferred with the Degree of Doctor of Philosophy in Journalism, Honoris Causa by Angeles University Foundation last May 01, 2009. Last April 16, 2012, he was conferred with the Degree of Doctor of Business Administration, Honoris Causa by Pamantasan ng Lungsod ng Maynila. He was awarded Outstanding Manilan last June 24, 2011. Currently, Dr. Yap is a Director and Executive Vice President of Manila Bulletin Publishing Corporation. He is also a Director of Philtrust Bank, Manila Hotel Corporation, Centro Escolar University and Cocusphil Development Corporation. Moreover, Dr. Yap is the Chairman of Manila Prime Land Holdings, Inc., a Director and Vice President of U.S. Automotive Co., Inc., Director and Asst. Treasurer and Asst. Corporate Secretary of Usautoco Inc., Director and Vice President of Philtrust Realty Corporation. Dr. Yap was elected as Director of Euro-Med on its Shareholders' meeting on 18 June 2014

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

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

Mr. Michael Vincent Y. Yap **Age: 40**

Mr. Michael Vincent Y. Yap, a married Filipino, graduated from the University of the Philippines Manila in 2002 with a degree of Bachelor of Science in Industrial Pharmacy. He placed 19th in the Pharmacy Board Exam. He joined the Company in April 1998 up to the present. In January 2009, he was promoted to Assistant Corporate Secretary. Mr. Michael Vincent Y. Yap is the son of Dr. Enrique C. Yap. Mr. Yap was elected as Director of Euro-Med Laboratories Phil., Inc. last 19 June 2013.

Family Relationship

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

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

Significant Employee

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

Involvement of Directors and Officers in Certain Legal Proceedings

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

Item 10 Executive Compensation

a.) Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	
Georgiana S. Evidente <i>President</i>					
Johnny C. Yap <i>Executive Vice President/</i>)				
<i>Vice Chairman/Treasurer</i>	)	2014	7,376,700	2,021,605	974,725
Evangeline V. Baviera <i>Executive Vice President</i>	)	2015	8,387,973	2,259,378	1,327,119
Jose A. Emiterio <i>Executive Vice President</i>	)	2016	8,339,728	1,810,867	1,328,485
Sandra N. Pineda <i>Chief Accountant</i>)				
All officers and Director as a	)	2014	15,388,140	4,024,465	3,022,345
group unnamed	)	2015	14,472,573	3,713,567	3,392,331
	)	2016	14,681,815	3,282,562	3,684,985

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

b.) Compensation of Directors

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

Item 11

Security Ownership of Certain Beneficial Owners and Management

1) Security Ownership of Certain Record and Beneficial Owners

As of March 24, 2017 (the latest practicable date prior to the printing of this document), the following shareholders are the sole owners of record owning more than five percent (5%) of the outstanding shares of the common stock in the capital of the Company:

Title of Class	Name & Address of record owner & relationship with issuer	Name of Beneficial owner & relationship with record owner***	Citizenship	Number of shares held	Percent of Class
Common	U.S. Automotive Co., Inc.* United Nations Avenue corner San Marcelino St. Manila Major Shareholder	Yap Family Stockholder/Director Officer	Filipino	2,401,747,112 ⊙	58.41%
Common	USAUTO, Inc.* United Nations Avenue corner San Marcelino St. Manila Major Shareholder	Yap Family Stockholder/Director Officer	Filipino	855,505,147 ⊙	20.80%
Common	Philippine Trust Company** United Nations Avenue corner San Marcelino St. Manila	Yap Family Stockholder/Director Officer	Filipino	365,111,921 ⊙	8.88%
Common	Evergreen Stock Brokerage & Securities, Inc.* 6F Tower 1 Exchange Plaza Ayala Avenue, corner Paseo de Roxas, Makati City	various clients	Filipino	298,725,323 ⊙	7.26%

* These companies are expected to issue their respective proxies in favor of Mr. Basilio C. Yap, Vice Chairman and Director of the Company.

** 133,986,446 shares from 365,111,921 shares by Philippine Trust Company are held by the Trust Department per the disclosure dated 08 November 2011.

2) Security Ownership of Management

The entire capital stock of the Company consists of common shares. The directors merely own qualifying shares while the officers of the Company have no significant shareholdings therein. The following table presents the shareholdings of the incumbent directors and officers as of 31 March 2017.

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial Ownership	Citizenship	% of Ownership
Common	William G. Padolina	20564 (D)	Filipino	0.0005%
Common	Edwin D. Feist	11,607 (D)	Australian	0.0003%
Common	Georgiana S. Evidente	1,285,052 (D)	Filipino	0.0313%
Common	Evangelina V. Baviera	41,645 (D)	Filipino	0.0010%
Common	Johnny C. Yap	36,980,720 (D)	Filipino	0.8993%
Common	Benjamin C. Yap	1,000 (D)	Filipino	0.0000%
Common	Michael Vincent Y. Yap	15,257,017 (D)	Filipino	0.0003%
Common	Emilio C. Yap, III	35,695,668 (D)	Filipino	0.8681%
Common	Basilio C. Yap	20,564 (D)	Filipino	0.0005%
Common	Francis Y. Gaw	20,564 (D)	Filipino	0.0005%
Common	Janice R. Ong	51,410 (D)	Filipino	0.3710%
Common	All other directors and officers as a group unnamed	3,025,258 (D)	Filipino	0.0736%

Mr. Basilio C. Yap, Benjamin C. Yap and Dr. Emilio C. Yap III have indirect ownership in the Company thru their ownership of less than 1% (more specifically 0.5001%) of U.S. Automotive Co., Inc. and 2% of USAUTOCO, Inc., majority stockholders of the Company.

Other than the abovementioned indirect interest of Basilio C. Yap, Benjamin C. Yap and Dr. Emilio C. Yap III, the security ownership of management are all direct.

Item 12 Certain Relationships and Related Transactions

- In the normal course of business, transactions with related parties consist mainly of the following:
 - a) The Company is leasing its office at PPL Building, United Nations Avenue corner San Marcelino Street, Manila from US Automotive Co., Inc., a majority stockholder of the Company. The lease is for one (1) year period and is being renewed annually subject to mutual agreement of the parties. The rent charged by management is based on the lease rates charged to the other tenants in the building and in the vicinity. The rent for the period January to December 2016 and 2015 amounted to P 19,822,440 and P19,822,440 respectively. No outstanding payable as of December 31, 2016. There are no other ongoing contractual or other commitments as a result of the arrangement.
 - b) The Company purchased labels from Philippine Label Pack Corp., a corporation wherein some major stockholders are family members of one (1) of the Company's directors/executive officers. These transactions are made substantially on the same terms and conditions as transactions with other suppliers of the Company. The purchase price depends on the competitiveness of prices submitted/quoted by various suppliers. Purchases for the period January to December, 2016 and 2015 amounted to P1.75 million and P7.4 million respectively. No outstanding payable as of December 31, 2016. There are no ongoing contractual or other commitments as a result of the arrangement.
 - c) The Company has advances to its 100% subsidiary, Hemotek Renal Center, Inc. amounting to P30.0 million in 2016 and in 2015 and to its 100% subsidiary CafeFrance Corp. amounting to P 516.8 million in 2016 and P493.5 million in 2015. Sales to Hemotek Renal Center, Inc. amounted to P 38.1 million for the year 2016 and P37.6 million for the year 2015, and accounts receivable of 198.8 million in 2016 and P182.6 million in 2015. The sales prices charged to Hemotek are competitive as those charge to other regular customers. There are no ongoing contractual or other commitments as a result of the arrangement.
 - d) The Company engages in regular bank transactions with Philtrust Bank, an affiliated local commercial bank. Transactions are for deposits and withdrawals requirements of the company. Deposit balances as of December 31, 2016 and 2015 amounted to P151.5 million and P332.7 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement.
 - e) The Company avails of advertising services of Manila Bulletin Publishing Corp., an affiliate under common control. Advertising rates charged are the same as charged to other regular customers. Total services purchased for January to December 2016 and 2015 amounted to P4.4

million and P 7.6 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement

f) The Company avails of hotel services of Manila Hotel, an affiliate under common control. Hotel charges are the same as charged to other regular customers. Total services purchased for January to December 31, 2016 and 2015 amounted to P 0.25 million and P 1.05 million respectively. There are no ongoing contractual or other commitments as a result of the arrangement

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

Item 13 Annual Corporate Governance Report (ACGR)

PART 1V – Annual Corporate Governance Report

The Company is still finalizing the new Manual on Corporate Governance in reference to SEC Memorandum Circular No. 19 Series of 2016, which requires all publicly listed companies to submit a new Manual on Corporate Governance to the Commission on or before 31 May 2017. The Company will submit the 2016 ACGR on or before 30 May 2017 and shall also post said report in our website within five (5) business days from submission.

Item 14 Minimum Public Ownership (MPO)

As of March 24, 2017 (the latest practicable date prior to issuance of this annual report) the level of the Company's public float is 12.6%.

PART V – EXHIBITS AND SCHEDULES

Item 15 Exhibits and Reports on SEC Form 17-C

a.) Exhibits

- I** Statement of Management’s Responsibility for Financial Statements
- II** Audited Consolidated Financial Statements of Euro-Med Laboratories Phil., Inc. and Subsidiaries as of December 31, 2014, 2015 and 2016.

b.) Material Contracts

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

c.) Reports on SEC Form 17-C

Jan. 05, 2016	Attendance of the Board of Directors of Euro-Med Laboratories Phil., Inc. for the year 2015.
Jan. 05, 2016	Consolidated Changes in the Annual Corporate Governance Scorecard for year 2015. Changes in Members of Audit Committee. Designation/ Changes of Corporate Officers for Year 2015-2016, Appointment of New External Auditor for year 2015-2016. Teodoro, Santamaria Canlas & Co. CPAs.
Jan. 05, 2016	Advisement Letter per SEC Memorandum Circular No. 1 Series of 2014
Jan. 20, 2016	2016 Certification of Independent Directors
Feb. 24, 2016	Acquisition of the “Dr. Edwards” Brand
Mar. 30, 2016	2016 Annual meeting of shareholders and Record Date
Apr. 13, 2016	Nominees For Election as Members of the Board of Directors 2016-2017

Approval and Authorization for Issuance of the 2015 Audited Financial Statements
And Amendment of Articles of Incorporation
May 13, 2016 Definitive Information Statement in connection to the annual Meeting of Stock-
holders

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

<u>Date Filed</u>	<u>Period Covered</u>
May 13, 2016	Quarter ended March 31, 2016
Aug 09, 2016	Quarter ended June 30, 2016
Nov. 10, 2016	Quarter ended September 30, 2016



Euro-Med Laboratories Phil., Inc.

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on _____, 2017.

EURO-MED LABORATORIES PHIL., INC.


By:



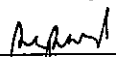
Georgiana S. Evidente
President/Director




Johnny C. Yap
Treasurer/Director



Jose A. Emitterio
Senior Vice President



Sandra N. Pineda
Chief Accountant

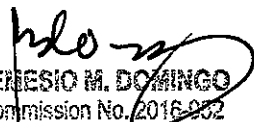


Janice R. Ong
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____th day of _____ 2017 at the City of Makati, affiants exhibiting to me their Passport number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Georgiana S. Evidente	EC6207182	Dec. 14, 2015	DFA, Manila
Johnny C. Yap	EB6364635	Sept. 18, 2012	DFA, Manila
Jose A. Emitterio	SSS 03-22751846	Year 2007	SSS Manila
Sandra N. Pineda	ECO412347	Feb 25, 2014	DFA, NCR West
Janice R. Ong	EC6341484	Jan. 07, 2016	DFA, NCR West

Doc. No. 357
Page No. 72
Book No. 1
Series of 2017


NEMESIO M. DOMINGO
Commission No. 2016-002
Notary Public for the City of Manila
Until December 31, 2017
1000 U. N. Ave., Cor. San Marcelino St., Manila
MCLE Compliance No. V-0017753
Roll No. 43903 / 05-07-99
PTR No. 6995369; 01/03/17; Manila
IBP No. 03932 / Isabela
TIN 109-213-922

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

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

and

Report of Independent Auditors

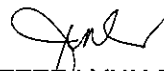
CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with the applicable financial reporting framework and reports as required by accounting and auditing standards for Euro-Med Laboratories Phil., Inc. and Subsidiaries for the period ending December 31, 2016.

In discharging this responsibility, I hereby declare that I am the Systems Accountant of Euro-Med Laboratories Phil., Inc.


Further, in my compilation services for the preparation of the Consolidated Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of Mangay-ayam, Lim & Co., CPAs, who is the external auditor who rendered the audit opinion for the said Consolidated Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

Signature Over Printed Name:  JEANETTE LYNN DY BERMAS
Professional Identification Card No.: 0110761
Valid Until: FEBRUARY 22, 2018
Accreditation No.: 2350
Valid Until: FEBRUARY 22, 2019

**SUBSCRIBED & SWORN TO BEFORE ME
AFFIANT EXHIBITING ID NO. 2011
THIS FEB 22 2017**

Doc No. 22
Page No. 6
Book No. A
Series of 2017


JOEL R. PANER
Notary Public / Commission No. 2016-036
Until 11-31-2017 / Manila
Unit AN7M TMR 2, Inf. Ave., Malate, Manila
Roll No. 46093-155 Lifetime No. 2022
PTR No. 9802819-12-10-2016 / Manila
MCLB Compliance No. V-0002349 5/8/2014



Euro-Med Laboratories Phil., Inc.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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


The management of Euro-Med Laboratories Phil., Inc. and Subsidiaries (the 'Company') is responsible for the preparation and fair presentation of the parent company financial statements for the years ended December 31, 2016 and 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

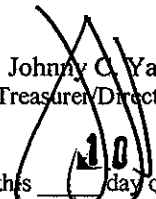
The Board of Directors reviews and approves the parent company financial statements including the schedules attached therein, and submits the same tot the stockholders or members.

Mangay-Ayam, Lim & Co., CPA's and Teodoro Santamaria Canlas & Co., the independent auditors appointed by the Board of Directors for the periods December 31, 2016 and 2015, respectively, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their report to Management, have expressed their opinion on the fairness of presentation upon completion of such examination.


William Padolina
Chairman of the Board


Georgiana S. Evidente
President / Director

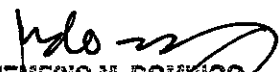
Johnny C. Yap
Treasurer/Director

 10 APR 2017

SUBSCRIBED AND SWORN to before me this 10 day of APR 2017 at the City of Makati, affiants exhibiting to me their Passport Number, as follows:

<u>Names</u>	<u>Passport Number</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
William Padolina	EB7351369	Feb 11, 2013	DFA, Manila
Georgiana S. Evidente	EC6207182	Dec. 14, 2015	DFA, Manila
Johnny C. Yap	EB6364635	Sept. 18, 2012	DFA, Manila

Doc. No. 349
Page No. 71
Book No. II
Series of 2017


NEMESIO M. DOMINGO
Commission No. 2016-052
Notary Public for the City of Manila
Until December 31, 2017
1000 U. N. Ave., Cor. San Marcelino St., Manila
MCLE Compliance No. V-0317753
Roll No. 43903 / 05-07-99
PTR No. 5995369; 01/03/17; Manila
IBP No. 03932 / Isabela
TIN 109-213-922



REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the accompanying consolidated financial statements of **Euro-Med Laboratories Phil., Inc., and Subsidiaries** (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Euro-Med Laboratories Phil., Inc. and Subsidiaries** as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines (Philippine Code of Ethics)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion, and we do not provide a separate opinion on these matters.

Recoverability of Trade Receivables

As at December 31, 2016, the Group had trade receivables of P1,974.6 million and the provision for impairment of trade receivables amounted to P47.3 million. In the event of insolvency of customers, the Group is exposed to a heightened risk of significant financial loss when the customers fail to meet their contractual obligations in accordance with the requirements of the agreements. Management assessed the recoverability of trade receivables by reviewing customers' aging profile, credit history and status of subsequent settlement, and determine whether an impairment provision is required. For the purpose of impairment assessment, significant judgement and assumptions, including the credit risks of customers, the timing and amount of realization of these receivables, are required for the identification of impairment events and the determination of the impairment charge.

How the matter was addressed in our audit

Our audit procedures in relation to the recoverability of trade receivables include:

- understood and tested the Group's credit control procedures and tested key controls over granting of credits to customers;
- verified the balances of trade receivables by requesting and receiving confirmations on a sample basis;
- tested aging of trade receivable balances at year end on a sample basis;
- obtained a list of long outstanding receivables and identified any debtors with financial difficulty through discussion with management as well as conducting market research on the industry;
- assessed the recoverability of these outstanding receivables through our discussion with management and with reference to credit profile of the customers, publicly available information and latest correspondence with customers; and
- assessed the recoverability of the balances by comparing the outstanding amounts as at year end against subsequent settlements.

From this assessment, we conclude that these trade receivables, subject to the allowance for impairment loss, are fully recoverable and appropriately measured in the consolidated financial statements. Furthermore, the information disclosed in the consolidated financial statements in respect of credit risk on trade receivables is sufficient.

Carrying Values of Property, Plant and Equipment

As at December 31, 2016, the Group has P3,832.5 million of property, plant and equipment which represents 42% of the Group's total assets. These are disclosed in Note 11 on the notes to consolidated financial statements. There are a number of areas where management judgement impacts the carrying value of property, plant and equipment, and the related depreciation profiles. These include:

- determining which costs meet the criteria for capitalization;
- determining the date on which construction in-progress is transferred to property, plant and equipment and depreciation commences;
- the estimation of economic useful lives and residual values assigned to property, plant and equipment.

We identified the carrying value of property, plant and equipment as a key audit matter because of the high level of management judgement involved and because of its significance to the consolidated financial statements

How the matter was addressed in our audit

Our audit procedures to assess the carrying value of property, plant and equipment included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the completeness, existence and accuracy of property, plant and equipment, including the key internal controls over the estimation of useful economic lives and residual values;
- assessing, on a sample basis, costs capitalized during the year by comparing the costs capitalized with the relevant underlying documentation, which included purchase agreements and invoices, and assessing whether the costs capitalized met the relevant criteria for capitalization; which included comparing interest rates to loan agreements, recalculating the interest capitalization rate and assessing, on a sample basis, the calculation of interest capitalized in construction-in-progress;
- challenging the date of transferring construction-in-progress to property, plant and equipment by examining the inspection reports and/or project progress reports, on a sample basis; and
- evaluating management's estimation of useful economic lives and residual values by considering our knowledge of the business and practices adopted in the industry.

Based on our procedures, we found management's assessment to be appropriate. We also found the disclosures in the consolidated financial statements in respect of the valuation of property, plant and equipment to be adequate.

Auditor Transition, Including the Audit of Opening Balances

Initial audit engagements involve a number of considerations not associated with recurring audits. We identify the audit transition, including the audit of the opening balances as a key audit matter as this involves additional planning activities and considerations necessary to establish an appropriate audit plan and strategy. This includes gaining an understanding of the Group's control environment and information systems, sufficient to make an audit assessment and develop the audit strategy and plan. We studied the 2015 and 2014 audited consolidated financial statements of the parent company and its subsidiaries to learn about their key accounts and issues and ensure that these are also properly addressed by us in 2016.

How our audit addressed the matter

In order to comply with our professional standards to obtain sufficient audit evidence about the opening balances and comparative figures, we reviewed the audit files of the predecessor auditor and had frequent interaction and a formal hand over process with them including performing additional procedures on selected subsequent events.

Consolidation Process

The consolidated financial statements of the Group represents the consolidation of the financial statements of Euro-Med Laboratories, Phil, Inc. and its subsidiaries as summarized in Note 2 to the consolidated financial statements. We consider the Group's consolidation process as a significant risk area because of the complexity involved due to intercompany transactions that require elimination.

Audit Response

We obtained an understanding of the Group's consolidation process. We obtained an understanding of the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany balances, and performed testing of the relevant controls. We tested significant consolidation adjustments, including elimination, deferral and realization of intercompany transactions and balances.

Other Matter

We did not audit the financial statements of all the subsidiaries whose financial statements reflect assets of P2,321.7 million as at December 31, 2016, total revenues of P1,596.2 million and net cash out flows amounting to P1,501.3 million for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include share of net profit of P15.9 million for the year ended December 31, 2015, as considered in the consolidated financial statements, in respect of all the subsidiaries, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it related to the amounts and disclosures included in respect of these subsidiaries, is based on the reports of the other auditors. Our opinion is not qualified in respect of these matters.

The consolidated financial statements of **Euro-Med Laboratories Phil., Inc. and Subsidiaries** as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unqualified opinion on those statements on April 12, 2016.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and annual report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves the fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the

consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rodrigo M. Mangay-ayam.

MANGAY-AYAM, LIM & CO., CPA'S

TIN 228-756-505

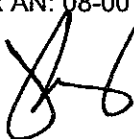
BOA CERT. 0672 - valid until December 31, 2018

SEC Accreditation No. 0302-F (Group A) - valid until December 3, 2017

CDA-CEA 0020-AF - valid until March 20, 2020

BIR AN: 08-001698-0-2015 - valid until February 18, 2018

By:



RODRIGO M. MANGAY-AYAM

Partner

CPA Certificate No. 21565

BOA CERT. 0672 - valid until December 31, 2018

SEC Accreditation No. 1454-A (Group A) - valid until December 3, 2017

BIR AN: 08-001698-2-2014 - valid until January 5, 2018

TIN 123-447-203

PTR No. 5927683MD, January 18, 2017, Makati City

Makati City, Philippines

April 10, 2017

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Comparative Figures As at December 31, 2015)
(In Philippine Peso)

	Notes	2016	2015
ASSETS			
Current			
Cash and cash equivalents	7,19,31,32	P 1,116,702,228	P 1,280,976,998
Receivables	5,8,31,32	1,989,038,015	1,821,372,329
Inventories	5,9	1,140,746,672	1,160,247,378
Other current assets	10,13,19,31,32	440,505,887	379,105,525
		4,686,992,802	4,641,702,230
Non-current			
Property, plant and equipment	5,11,16	3,832,454,200	3,715,132,802
Intangible assets	5,12	269,111,276	224,545,294
Deferred tax assets	5,28	53,717,139	49,570,772
Other non-current assets	10,13,19,31	437,925,850	494,261,594
		4,593,208,465	4,483,510,462
TOTAL ASSETS		P 9,280,201,267	P 9,125,212,692
LIABILITIES AND EQUITY			
Current			
Trade payables	14,31,32	P 503,073,618	P 568,449,385
Trust receipts payable	15,31,32	284,430,347	137,914,838
Notes payable	16,11,26,31,32	2,449,190,334	2,166,856,333
Current portion of long-term loans	16,11,26,31,32	316,933,333	389,425,333
Income tax payable		75,533,887	55,783,657
Other current liabilities	17	38,684,861	34,864,446
		3,667,846,380	3,353,293,992
Non-current			
Long-term loans-net of current portion	16,11,26,31,32	428,252,000	695,935,334
Retirement benefit obligation	5,20,31,32	131,719,071	120,606,972
		559,971,071	816,542,306
Equity			
Share capital	18	4,112,140,540	4,112,140,540
Additional paid-in capital	18	66,609,227	66,609,227
Retained earnings	18	908,414,341	811,406,919
Accumulated actuarial losses on defined benefit plan	27	(34,780,292)	(34,780,292)
		5,052,383,816	4,955,376,394
TOTAL LIABILITIES AND EQUITY		P 9,280,201,267	P 9,125,212,692

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2016
(With Comparative Figures for 2015)
(In Philippine Peso)

	Notes	Years Ended December 31					
		2016		2015		2014	
REVENUES	21	P	4,830,197,682	P	4,462,355,491	P	4,703,582,459
COST OF GOODS MANUFACTURED AND SOLD	22		3,171,039,385		3,034,587,823		3,295,804,793
GROSS PROFIT			1,659,158,297		1,427,767,668		1,407,777,666
OPERATING EXPENSES							
Administrative and selling expenses	23		836,812,098		694,758,633		668,136,755
Distribution expenses	24		262,263,980		267,809,961		277,868,547
			1,099,076,078		962,568,594		946,005,302
OPERATING INCOME			560,082,219		465,199,074		461,772,364
OTHER INCOME (CHARGES)							
Interest expense	25		(141,494,286)		(167,967,073)		(188,956,018)
Foreign exchange (loss) gain			(384,884)		10,506,871		3,595,391
Interest income	5,21		9,988,830		16,766,462		11,516,001
Miscellaneous income	26		14,108,177		11,863,826		12,086,014
			(117,782,163)		(128,829,914)		(161,758,612)
INCOME BEFORE INCOME TAX			442,300,056		336,369,160		300,013,752
PROVISION FOR INCOME TAX	27		139,685,607		105,356,274		92,823,926
NET INCOME			302,614,449		231,012,886		207,189,826
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified to profit and loss							
Remeasurement losses on defined benefit plan	20		-		(20,732,073)		-
Income tax effect	27		-		6,219,622		-
			-		(14,512,451)		-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY*		P	302,614,449	P	216,500,435	P	207,189,826
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	30	P	0.07	P	0.06	P	0.05

See Notes to Consolidated Financial Statements.

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(With Comparative Figures for 2015)
(In Philippine Peso)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 442,300,056	P 336,369,160	P 300,013,752
Adjustments for:			
Prior period adjustments	3	-	(15,199)
Depreciation and amortization	5,11,16	263,013,164	235,466,414
Interest expense	25	141,494,286	167,967,073
Retirement expense	20	15,541,618	14,168,362
Provision for impairment losses	8	2,709,127	2,630,219
Foreign exchange loss (gain)		384,884	(10,506,871)
Interest income	7	(9,988,830)	(16,766,462)
Operating income before working capital changes	855,454,305	729,312,696	786,349,680
Changes in assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	5,8,31,32	(214,850,637)	553,063,085
Inventories	5,9	19,500,706	201,435,950
Other current assets	10,13,19,31,32	(61,400,362)	(73,073,097)
Other non-current assets	3,7	56,335,744	(31,582,684)
Increase (decrease) in:			
Trade payables	14,31,32	(65,375,767)	(1,261,016)
Trust receipts payable	15,31,32	146,515,509	12,058,173
Other current liabilities	16,11,26,31,32	3,820,415	16,426,608
Cash generated from operations	739,999,913	1,406,379,715	604,473,803
Interest paid	7	(141,494,286)	(167,967,073)
Retirement benefits paid	5,20,31,32	(4,426,519)	(10,819,659)
Income tax paid		(124,559,787)	(85,391,536)
Interest received	5,21	9,988,830	16,766,462
Net cash provided by operating activities	479,508,151	1,158,967,909	334,292,671
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5,11,16	(380,334,562)	(249,317,010)
Proceeds from sale of property, plant, and equipment	11	-	7,300,000
Net cash used in investing activities	(380,334,562)	(242,017,010)	(268,645,433)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:	16,11,26,31,32		
Notes payable		1,836,500,000	1,233,000,000
Long-term loans		49,250,000	-
Payments of:	16,11,26,31,32		
Notes payable		(1,554,165,999)	(1,374,743,667)
Long-term loans		(389,425,334)	(389,425,334)
Dividends paid	18	(205,607,027)	(205,607,027)
Net cash (used in) provided by financing activities	(263,448,360)	(736,776,028)	209,669,023
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(164,274,771)	180,174,871	275,316,261
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,280,976,999	1,100,802,128	825,485,867
CASH AND CASH EQUIVALENTS, END OF YEAR	7,19,31,32 P 1,116,702,228	P 1,280,976,999	P 1,100,802,128

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

(With Comparative Figures for 2015)

(In Philippine Peso)

	Year Ended December 31, 2016					Total
	Notes	Share Capital (Note 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Notes 3, 18)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 20)	
As at January 1, 2016,		P 4,112,140,540	P 66,609,227	P 811,406,919	P (34,780,292)	P 4,955,376,394
Total comprehensive income:						
Net income		-	-	302,614,449	-	302,614,449
Cash dividend (Note 18)	3, 18	-	-	(205,607,027)	-	(205,607,027)
As at December 31, 2016		P 4,112,140,540	P 66,609,227	P 908,414,341	P (34,780,292)	P 5,052,383,816

	Year Ended December 31, 2015					Total
	Notes	Share Capital (Note 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Notes 3, 18)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 20)	
As at January 1, 2015,		P 4,112,140,540	P 66,609,227	P 785,957,863	P (20,209,445)	P 4,944,498,185
as previously presented				43,197	(58,396)	(15,199)
Prior period adjustment						
As at January 1, 2015,		4,112,140,540	66,609,227	786,001,060	(20,267,841)	4,944,482,986
Total comprehensive income:						
Net income		-	-	231,012,886	-	231,012,886
Other comprehensive loss						
Actuarial losses on retirement benefit plan (Note 20)	3	-	-	-	(14,512,451)	(14,512,451)
Cash dividend (Note 18)	3, 18	-	-	(205,607,027)	-	(205,607,027)
As at December 31, 2015		P 4,112,140,540	P 66,609,227	P 811,406,919	P (34,780,292)	P 4,955,376,394

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

(With Comparative Figures for 2015)

(In Philippine Peso)

	Year Ended December 31, 2014					
	Notes	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Notes 3, 18)	Accumulated Actuarial losses on Retirement Benefit Plan (Note 20)	Total
As at January 1, 2014,	P	4,112,140,540	66,609,227	785,459,324	(20,209,445)	4,943,999,646
Prior period adjustments				(1,084,260)		(1,084,260)
As restated		4,112,140,540	66,609,227	784,375,064	(20,209,445)	4,942,915,386
Total comprehensive income:						
Net income				207,189,826		207,189,826
Other comprehensive loss						
Actuarial losses on retirement benefit plan (Note 20)	3					
Cash dividend (Note 18)	3, 18			(205,607,027)		(205,607,027)
As at December 31, 2014	P	4,112,140,540	66,609,227	785,957,863	(20,209,445)	4,944,498,185

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Euro-Med Laboratories Phil., Inc. (the 'Parent Company') was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 29, 1988 under SEC Registration No. 148022. The Parent Company began its commercial production in 1991 after it has been registered with the Food and Drug Administration (FDA) formerly Bureau of Food and Drugs (BFAD) to manufacture pharmaceutical products of large and small volume parenterals and other solutions such as ophthalmic, inhalation, irrigation and dialysis. The Parent Company is currently the largest manufacturer of high quality intravenous fluids in the Philippines.

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

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

On July 13, 2016 the Parent Company's Articles of Incorporation was amended to add the provision of training or seminar for detailmen, medical representatives and professional sales representatives and to do all other acts and things in connection with the business as one of the Parent Company's primary purposes.

The consolidated financial statements as at December 31, 2016 and 2015 and for each of the three years ended December 31, 2016, 2015 and 2014 were authorized for issue by the Board of Directors (BOD) on March 28, 2017.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

	Percentage of Ownership			
	2016		2015	
	Direct	Indirect	Direct	Indirect
Hemotek Renal Center, Inc. (Hemotek)	100.00	-	100.00	-
CafeFrance Corp. (CafeFrance)	100.00	-	100.00	-

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

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

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

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

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

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

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

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

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments effective beginning January 01, 2016:

- PAS 16, "*Property, Plant and Equipment*", and PAS 38, "*Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*" (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact to the Group, given that the Group is not using revenue-based method to depreciate its property, plant and equipment and intangible assets.

- PFRS 11, "*Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*" (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined in PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact to the Group as there has been no interest acquired in a joint operation during the period.

- FRS 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 in the consolidated statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

This standard does not apply since the Group is not a first-time adopter of PFRS.

- PAS 1, "*Presentation of Financial Statements - Disclosure Initiative*" (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the profit or loss and OCI and the financial position may be disaggregated. That entities have flexibility as to the order in which they present the notes to financial statements.

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact on the Group.

- PFRS 10, "*Consolidated Financial Statements*", PFRS 12, "*Disclosure of Interests in Other Entities*", and PAS 28, "*Investments in Associates and Joint Ventures*" – "*Investment Entities: Applying the Consolidation Exception*" (Amendments)

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when it measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the consolidated financial statements

- Annual Improvements to PFRSs (2012-2014 cycle)
 - PFRS 5, "*Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*"

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

- PFRS 7, "*Financial Instruments: Disclosures - Servicing Contracts*"

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

- PFRS 7, "*Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*" (Amendments)

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

- PAS 19, "Employee Benefits - Regional Market Issue Regarding Discount Rate"

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

- PAS 34, "Interim Financial Reporting - Disclosure of Information Elsewhere in the Interim Financial Report"

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

The above improvements do not have any impact on the Group.

New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2016

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2016 are disclosed below. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance.

Deferred

- PFRS 10, "Consolidated Financial Statements" and PAS 28, "Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board (IASB) deferred indefinitely the effective date of these amendments pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the consolidated financial statements.

Effective in 2017

- PAS 7, "Statement of Cash Flows - Disclosure Initiative" (Amendments)

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements.

- PAS 12, "*Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*" (Amendments)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

- PFRS 12, "*Disclosure of Interests in Other Entities – Clarification of the Scope of the Disclosure Requirements in PFRS 12*" (Part of Annual Improvements on PFRS 2014 – 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the consolidated financial statements.

Effective in 2018

- PAS 40, "*Investment Property – Transfers of Investment Property*" (Amendments)

The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if that is possible without the use of hindsight. The amendments are not expected to have any impact on the Group.

- Philippine IFRIC Interpretation 22, "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period

presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group does not expect the amendments to have material impact on its consolidated financial statements.

- PFRS 2, "*Share-based Payments – Classification and Measurement of Share-based Payment Transactions*" (Amendments)

The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted. The Group does not expect the adoption of this interpretation to have any significant impact on the consolidated financial statements.

- Amendments to PFRS 4, "*Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*"

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 01, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since the Group does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, "*Financial Instruments*"

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 01, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. Based on the following preliminary assessment, the Group expects no significant impact to the consolidated financial position.

(a) Classification and Measurement

The Group does not expect a significant impact on its consolidated company financial statement or equity upon application of the classification and measurement requirements of PFRS 9 as its current financial assets carried at fair value are not significant.

Advances from officers and employees as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. Thus, the Group expects that these will continue to be measured at amortized cost under PFRS 9. However, the Group will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under PFRS 9.

(b) Impairment

PFRS 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all receivables. The Group does not expect a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Group does not expect any impact as a result of applying this phase of PFRS 9 as it does not apply hedge accounting on any existing hedge relationships.

▪ PFRS 15, "Revenue from Contracts with Customers"

PFRS 15 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 to 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 01, 2018.

The Group plans to adopt the new standard on the required effective date.

(a) Sale of goods

The Group is primarily involved in the delivery at a point in time of pharmaceutical products. Contracts with customers in which the sale of these products is generally expected to be the only performance obligations are not expected to have any impact on the Company's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Sale of services

The Group also provides toll manufacturing, operation of Quick Services Restaurants and renal and other health care services. Contracts with customers in which the sale of services is generally expected to be the only performance obligations are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when the service has been rendered and the amount of revenue can be measured reliably.

(c) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of discounts, returns and allowances. Such provisions give rise to variable consideration under PFRS 15, and will be required to be estimated at contract inception.

(c) Disclosure requirements

PFRS 15 provides presentation and disclosure requirements, which are more detailed under current PFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the consolidated financial statements. Many of the disclosure requirements in PFRS 15 are completely new. The Group is currently assessing the changes it needs to make in its current systems, internal controls, policies and procedures in order to collect and disclose the required information.

Effective in 2019

▪ PFRS 16, "Leases"

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, "Leases". Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

4. Summary of Significant Accounting Policies

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of change in value.

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or financial liability in the consolidated 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 Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities as 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 Group measures financial instruments, such as AFS financial assets at fair value at each balance sheet date.

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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:

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

As at December 31, 2016 and 2015, the Group has no financial assets and financial liabilities at FVPL.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. Moreover the Group would be prohibited to classify any financial assets as HTM investments for the following two (2) years. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the investment income in the 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 December 31, 2016 and 2015, the Group has no investment under this category.

Loans and receivables

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

This accounting policy relates to "cash in banks", "short-term placements", "receivables", advances to suppliers and contractors, bidders and performance bonds and advances to officers and employees included under "Other current assets" and rentals and security deposits included under "Other noncurrent assets".

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

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

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

AFS Financial Assets

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

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

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

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

As at December 31, 2016 and 2015, the Group has financial instruments classified as AFS financial asset included under non-current assets (see Note 13).

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated profit or loss.

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

Impairment of Financial Assets

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

Assets Carried at Amortized Cost

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is

recognized in the consolidated profit or loss to the extent that the carrying value of the asset does not exceed what should have been its amortized cost at the reversal date.

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

AFS Financial Assets Carried At Cost

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

AFS Financial Assets Carried At Fair Value

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

Derecognition of Financial Assets and Liabilities

Financial Asset

A financial asset is derecognized when:

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

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

Financial Liability

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to

holders of financial instruments classified as equity are charged directly to stockholder's equity net of any related income tax benefits.

Offsetting Financial Instruments

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

Inventories and Supplies

Inventories and supplies are initially measured at cost. Subsequently, stated at the lower of cost and net realizable value (NRV). NRV for finished goods and raw materials is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. NRV for raw materials is the current replacement cost. In determining the NRV, the Group considers any adjustments necessary for obsolescence. Cost is determined using the first-in, first out (FIFO) method; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

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

Prepayments

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

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

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

Value Added Tax

Input VAT is recognized when the Group purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding ₱1 million and input VAT from purchases of goods and services which remain unpaid at each reporting date are recognized as "Deferred input VAT." Deferred input VAT that are expected to be applied for no more than 12 months after the financial position date are classified as current assets; otherwise, these are classified as other noncurrent assets.

Property, Plant and Equipment

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

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

Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

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

Land improvements	20 years
Building and improvements	30 years
Machineries and equipment	20 years
Transportation equipment	10 years
Office furniture and equipment	10 years

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

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

Construction in progress represents structures under constructions and is stated at cost (include cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use.

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

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

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

Intangible Assets

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

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

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

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

An intangible asset is 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, measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognized in profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

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

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

Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

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

Provisions

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

Equity

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

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

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

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

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

Revenues

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

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

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery of the goods and acceptance by the buyer.

Sales are net of returns and discounts.

Service income

Service income is recognized based on the stipulations stated in the agreement, which coincide with the performance of the services.

Rental income

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

Royalty income

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

Dividend income

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

Interest income

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

Foreign exchange gain (loss)

Gain (loss) 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 the asset.

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

Costs and Expenses

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

Cost of goods manufactured and sold

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

Administrative and selling and distribution expenses

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

Research and Development Costs

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

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

Retirement Benefits

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

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

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

Borrowing Costs

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

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

Leases

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

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

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

Group as a lessee

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

Group as a Lessor.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rent income from operating leases is recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rent income. Contingent rents are recognized as revenue in the period in which these are earned.

Foreign Currency-denominated Transactions

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

Earnings per Share (EPS)

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

Diluted EPS amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares

outstanding that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

Related Party Relationships and Transactions

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

Operating Segments

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

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

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

Contingencies

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

Events after the End of Reporting Period

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

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

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

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

Judgments

a. Consolidation of subsidiaries

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

b. Fair value of financial instruments

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

c. Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

d. Lease Commitments – Group as lessee

The Group has various lease agreements as a lessee. The Group evaluates whether significant risks and rewards of ownership of the leased properties retained by the lessor (operating lease). The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that all significant risk and rewards of ownership over the leased properties are retained by the lessor. The leases are, therefore, accounted for as operating leases.

Total rental expense arising from operating leases amounted to P231.4 million, P280.6 million and P282.5 million in 2016, 2015 and 2014, respectively (see Note 28).

e. Functional currency

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

f. Contingencies

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

Estimates and Assumptions*a. Impairment losses of loans and receivables*

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

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

The related balances follow (see Note 8):

	2016		2015
Receivables	P 2,036,376,070	P	1,866,001,257
Allowance for impairment losses	47,338,055		44,628,928
Provision for impairment losses	2,709,127		2,630,219

b. Measurement of NRV of inventories

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

The Group's inventories carried at cost as at December 31, 2016 and 2015 amounted to P1,140.7 million and P1,160.2 million, respectively (see Note 9).

c. Impairment of AFS financial assets

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

As at December 31, 2016 and 2015, the carrying value of the Group's AFS financial assets amounted to P0.2 million and P0.3 million, respectively (see Note 13).

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

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

The related balances follow (see Note 11):

	2016	2015
Cost	P 7,445,113,405	P 7,064,688,842
Accumulated depreciation and amortization and impairment losses	3,612,659,205	3,349,646,041
Depreciation and amortization	263,013,164	235,466,414

e. Estimated useful lives of intangible assets with finite lives

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

Intangible asset with finite useful lives amounted to P1.0 million and P1.1 million as at December 31, 2016 and 2015, respectively (see Note 12).

f. Impairment of trademarks and licenses with indefinite lives

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

The carrying amounts of trademarks and license with indefinite useful lives amounted to P268.1 million and P223.4 million as at December 31, 2016 and 2015 (see Note 12).

g. Recognition of deferred income tax

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

h. Present value of retirement benefit obligation

The cost of defined retirement benefit obligation and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present values of the retirement liability of the Group are disclosed in Note 20.

i. Impairment of non-financial assets

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

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;

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

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

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

As at December 31, 2016 and 2015, the aggregate carrying values of property, plant and equipment amounted to P3,832.5 million and P3,715.1 million, respectively (see Note 11).

Accumulated depreciation and amortization amounted to P 3,231.7 million and P2,968.7 million in 2016 and 2015, respectively.

Accumulated impairment losses amounted to P380.9 million in 2016 and 2015.

As at December 31, 2016 and 2015, no indications of further impairment were noted on property, plant and equipment (see Note 11).

6. Segment Information

Business Segments

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

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

Segment Assets and Liabilities

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

Inter-segment Transactions

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

The following tables present certain information on revenue, expenses, assets and liabilities and other segment information of the different business segments as at December 31, 2016, 2015 and 2014:

	2016					Total
	Manufacturing	Service	Food	Elimination		
	<i>(amounts in thousands)</i>					
Segment revenue	P 3,350,439	P 419,122	P 1,117,112	(56,475)	P	4,830,198
Segment expense	2,825,263	404,754	1,096,572	(56,475)		4,270,114
Operating income	525,176	14,368	20,540	-		560,084
Other income (charges)	(105,105)	(3,810)	(8,868)	-		(117,783)
Income before tax	420,071	10,558	11,672	-		442,301
Provision for income tax	133,397	3,282	3,007	-		139,686
Segment net income	P 286,674	P 7,276	P 8,665	P -	P	302,614
Assets and Liabilities						
Segment assets	P 8,301,277	P 750,911	P 1,569,435	P (1,395,139)	P	9,226,484
Deferred tax assets	52,341	396	980	-		53,717
Total assets	P 8,353,618	P 751,307	P 1,570,415	P (1,395,139)	P	9,280,201
Segment liabilities	P 3,247,816	P 471,119	P 1,083,302	P (1,395,139)	P	3,407,098
Long-term debt	629,263	-	115,922	-		745,185
Income tax payable	74,103	-	1,431	-		75,534
Total liabilities	P 3,351,182	P 471,119	P 1,200,655	P (1,395,139)	P	4,227,817
Other segment information						
Capital expenditures	P 210,515	P 49,919	P 119,900	P -	P	380,334
Depreciation and amortization	164,674	34,771	63,568	-		263,013

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

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

7. Cash and Cash Equivalents

This account consists of:

	2016		2015	
Cash on hand and revolving funds	P	47,594,929	P	100,629,751
Cash in banks		728,600,192		865,850,824
Short-term placements		340,507,107		314,496,423
	P	1,116,702,228	P	1,280,976,998

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P1.9 million, P5.4 million, and P2.1 million in 2016, 2015 and 2014, respectively.

Short-term placements are made for varying periods ranging from 30-90 days in 2016 and 2015, and earn effective interests of 7.5% per annum. Interest income from these short-term investments amounted to P 8.1 million, P 11.4 million and P 9.4 million in 2016, 2015 and 2014, respectively.

As at December 31, 2016 and 2015, cash in banks include foreign currency-denominated deposits amounting to US\$9.4 million or P468.5 million and US\$11.5 million or P544.2 million, respectively (see Note 31).

8. Receivables

This account consists of:

	2016		2015
Trade	P 1,974,566,152	P	1,857,702,891
Note receivable	46,877,431		-
Non-trade receivables	14,932,487		8,298,366
	2,036,376,070		1,866,001,257
Less allowance for impairment losses	(47,338,055)		(44,628,928)
	P 1,989,038,015	P	1,821,372,329

Trade receivables are non-interest bearing and are generally on a 30-120 day credit term. The aging of trade receivables is as follow:

	2016		2015
1-30 days	P 431,118,735	P	377,871,392
31-90 days	275,678,671		229,080,521
91-120 days	131,094,070		290,854,457
over 120 days	1,136,674,676		959,896,521
	P 1,974,566,152	P	1,857,702,891

Note receivable is a five (5%) interest bearing note and payable of P0.2 million for twelve (12) months and may extend hereafter at the option of the Group, executed on May 23, 2016. The note receivable represents the balance of the offsetting of total receivables from Antech Nutritional Technologies (Antech) of P98.4 million and the acquisition price of P 50 million for the tradename "Dr. Edwards" and the entire products manufactured under the tradename (See Note 12). Interest income earned from note receivable amounted to P0.6 million recognized under "miscellaneous income" in 2016.

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

The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivables and on an evaluation of the current status of the account. Allowance for impairment losses relates to trade receivables. No allowance was provided on non-trade receivables. Changes in the allowance for impairment losses as at December 31, 2016 and 2015 are as follows:

	2016		2015
Balance, January 1	P 44,628,928	P	41,998,709
Provision for the year	2,709,127		2,630,219
Balance, December 31	P 47,338,055	P	44,628,928

9. Inventories

The account consists of:

	2016	2015
Raw materials and supplies		
Raw materials	P 381,674,877	P 278,021,350
Foods	55,189,308	52,287,112
Medical supplies	70,860,752	81,199,842
Packaging and supplies	9,275,661	9,332,666
Total	517,000,598	420,840,970
Finished goods	623,746,074	739,406,408
	P 1,140,746,672	P 1,160,247,378

The estimated net realizable values of inventories are as follows:

	2016	2015
Raw materials	P 836,859,315	P 426,804,865
Finished goods	914,640,765	937,610,051
Medicines and medical supplies	74,403,790	87,795,408
	P 1,825,903,870	P 1,452,210,324

Total inventories charged to cost of goods manufactured and sold amounted to P1,798.8million, P1,966.3 million and P1,737.2 million in 2016, 2015 and 2014, respectively (see Note 22).

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

- Declines subsequent to financial position date in market prices of inventory not protected by firm sales contract.
- Changes in pricing methods and the effects thereof;
- Unusual purchase commitments and accrued net losses, if any, on such commitments. (Losses which are expected to arise from firm and non-cancellable commitments for the future purchase of inventory items should, if material, be recognized in the accounts and separately disclosed in statements of comprehensive income);
- The amount of any substantial and unusual write downs.

10. Other Current Assets

This account consists of:

	2016	2015
Advances to suppliers and contractors	P 196,566,922	P 83,176,474
Current portion of prepayments (Note 13)	115,890,079	126,977,484
Current portion of advances to officers (Note 13)	49,732,224	61,427,975
Bidders and performance bonds	30,669,931	46,086,800
Current portion of deferred VAT (Note 13)	15,055,535	13,565,779
Creditable withholding VAT	9,584,539	9,584,539
Creditable withholding tax	7,588,587	4,685,612
Current portion of advances to employees (Note 13)	5,338,174	27,598,076
Deferred charges-MCIT	5,216,781	3,500,082
Others	4,863,115	2,502,704
	P 440,505,887	P 379,105,525

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.

Prepayments include prepaid marketing and development expense and other prepayments. Prepaid marketing and development expense refers to payments made to client hospitals of the Group as stipulated on long-term sales contracts ranging from three (3) to ten (10) years. These payments are to cover the client hospital's marketing development expense to promote the use of the Group's products during the contract period. The amounts that are to be amortized in the next twelve (12) months are recognized under "Other Current Assets". The remaining amount to be amortized is recognized under "Other Non-current Assets" (see Note 13).

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

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

Creditable withholding VAT refers to deductions made by the Government from their payments for 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 (CWT) is the tax withheld by the withholding agents from payments to the Company which can be applied against income tax payable. The outstanding CWTs may be offset against any future income tax due once the corresponding certificates become available.

1.1. Property, Plant and Equipment

The roll-forward analysis of this account as at December 31, 2016:

	2016						Total
	Machinery and Equipment	Building and Leasehold Improvements	Laboratory and office equipments and Improvements	Land and Land Improvements	Construction in Progress	Transportation Equipment	
Cost							
At January 1	P 4,679,736,845	P 1,388,485,075	P 865,029,249	P 91,340,723	P -	P 40,186,951	P 7,064,778,843
Additions	83,233,680	192,131,472	23,027,067	11,445,641	65,996,809	4,499,893	380,334,562
At December 31	4,762,970,525	1,580,616,547	888,056,316	102,786,364	65,996,809	44,686,844	7,445,113,405
Accumulated depreciation and amortization	2,155,538,924	394,776,934	381,314,781	17,394,334	-	22,671,079	2,968,696,052
Depreciation and amortization	179,227,838	58,424,062	20,537,912	782,684	-	4,040,668	263,013,164
At December 31	2,334,766,762	450,200,996	401,852,693	18,177,018	-	26,711,747	3,231,709,216
Accumulated impairment losses	320,807,570	60,142,419	-	-	-	-	380,949,989
Carrying Amounts							
At December 31	P 2,107,396,193	P 1,070,273,132	P 486,203,623	P 84,609,346	P 65,996,809	P 17,975,097	P 3,832,454,200

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

	2015						Total
	Machinery and Equipment	Building and Leasehold Improvements	Office Furnitures and Equipment	Land and Land Improvements	Construction in Progress	Transportation Equipment	
Cost							
At January 1	P 4,584,180,391	P 1,308,142,780	P 847,352,928	P 40,540,723	P -	P 47,080,700	P 6,827,297,522
Additions	100,092,143	80,342,295	17,676,321	50,800,000	-	406,251	249,317,010
Disposals/retirement	(4,535,689)	-	-	-	-	(7,300,000)	(11,835,689)
At December 31	4,679,736,845	1,388,485,075	865,029,249	91,340,723	-	40,186,951	7,064,778,843
Accumulated depreciation and amortization	2,183,724,841	345,941,655	171,370,243	16,611,650	-	20,116,938	2,737,765,327
Depreciation and amortization	167,603,518	45,835,279	18,690,792	782,684	-	2,554,141	235,466,414
Disposals/retirement	(4,535,689)	-	-	-	-	-	(4,535,689)
At December 31	2,346,792,670	391,776,934	190,061,035	17,394,334	-	22,671,079	2,968,696,052
Accumulated impairment losses	320,807,570	60,142,419	-	-	-	-	380,949,989
Carrying Amounts							
At December 31	P 2,012,136,605	P 936,565,722	P 674,968,214	P 73,946,389	P -	P 17,515,872	P 3,715,132,802

Construction in progress pertains to building under construction to be used as warehouse and manufacturing plant upon completion.

Property, plant and equipment with aggregate cost of P1,846.1 million are not yet depreciated since these are not yet complete and ready for their intended use.

Depreciation and amortization expense charged to operations amounted to P263.0 million, P235.5 million and P299.2 million in 2016, 2015 and 2014, respectively, and are included in the following line items in the consolidated statements of comprehensive income:

	Notes	2016	2015	2014
Charged to:				
Factory overhead	21	P 205,872,697	P 147,991,847	P 249,331,097
Administrative expenses	23	51,881,614	82,377,625	45,137,349
Selling expenses	23	544,629	417,668	180,254
Distribution expenses	24	4,714,224	4,679,274	4,589,307
		P 263,013,164	P 235,466,414	P 299,238,007

The total cost of fully depreciated property, plant and equipment which are still used amounted to P94.6 million and P90.4 million as at December 31, 2016 and 2015, respectively.

In 2015, the Group sold certain assets at its carrying value of P7.3 million. The Group also retired assets with aggregate cost of P4.5 million in 2015.

Property, plant and equipment with an aggregate carrying amounts of P1,951.7 million in 2016 and 2015, respectively, were mortgaged as security for long-term debts as at December 31, 2016 and 2015 (see Note 16).

12. Intangible Assets

This account consists of:

	2016	2015
Trademarks and licenses	P 268,132,851	P 223,399,836
Patents and rights	978,425	1,145,458
	P 269,111,276	P 224,545,294

Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Company acquired from Stiefel Laboratories, Inc., and Glaxosmithkline Philippines, Inc. in 2011. During the year, the Group acquired the tradename "Dr. Edwards" from Antech and the entire products manufactured under the trade name (see Note 8).

Movement in trademarks and licenses account as at December 31, 2016 and 2015 are as follows:

	2016	2015
Beginning balance	P 223,399,836	P 223,399,836
Additions during the year	44,733,015	-
	P 268,132,851	P 223,399,836

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

Movement in patents and rights account as at December 31, 2016 and 2015 are as follows:

	2016		2015	
Beginning balance	P	1,145,458	P	1,325,712
Additions during the year		13,220		-
Amortization during the period		(180,253)		(180,254)
	P	978,425	P	1,145,458

No impairment loss on intangible assets was recognized in 2016, 2015 and 2014.

13. Other Non-current Assets

This account consists of:

	2016		2015	
Prepayments, net of current portion (Note 10)	P	229,501,414	P	316,200,795
Rental and security deposits		120,784,889		101,360,548
Deferred input VAT, net of current portion (Note 10)		43,793,403		26,146,226
Advances to officers, net of current portion (Note 10)		27,699,559		35,103,277
Advances to employees, net of current portion (Note 10)		11,871,240		11,085,245
Construction bonds		4,055,095		4,055,095
AFS financial asset		220,250		310,408
	P	437,925,850	P	494,261,594

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

Deferred input VAT are VAT incurred and paid in connection with purchase of capital assets in excess of P1.0 million per month. As provided for in R. A. No. 9337 ("EVAT Law") said portion of input VAT shall be deferred and credited evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter, against the output VAT due. The amounts that are to be amortized in the next twelve (12) months are recognized under "Other Current Assets".

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

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

14. Trade Payables

Trade payable consists mainly of unpaid billings from the Group's suppliers of raw materials, distributed products and other services. These are non-interest-bearing and normally settled within one (1) year. As at December 31, 2016 and 2015, trade payables amounted to P503.07 million and P568.45 million, respectively.

15. Trust Receipts Payable

This account represents trust receipts, which bears interest ranging from 3.5% to 6.0% per annum in 2016 and 2015, on letters of credit obtained from various local banks for the importation of various raw materials. This is part of the availments from Omnibus Credit lines of various commercial banks (see Notes 16 and 28).

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) usance and trust receipts available up to 180 days with interest payable / reviewable monthly or every 30 to 90 days in arrears at prevailing bank loan rate. As at December 31, 2016 and 2015, outstanding trust receipts payable amounted to P284.4 million and P137.9 million, respectively.

16. Notes Payable and Long-term Loans

This account consists of:

	2016		2015	
Notes payable	P	2,449,190,334	P	2,166,856,333
Long-term loans		745,185,333		1,085,360,667
	P	3,194,375,667	P	3,252,217,000

Notes Payable

The movements of this account are as follows:

	2016		2015	
Balance, beginning of year	P	2,166,856,333	P	2,308,600,000
Availments during the year		1,836,500,000		1,233,000,000
Payments during the year		(1,554,165,999)		(1,374,743,667)
Balance, end of year	P	2,449,190,334	P	2,166,856,333

Notes payable represents unsecured peso-denominated bank loans with annual interest rates ranging from 4.00%-6.99% and 2.83%-6.00% in 2016 and 2015, respectively.

The Group has Omnibus Credit lines in the aggregate amount of about P4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollars), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). The Group's various obligations are secured by a Surety of the Group'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

The movements of this account are as follows:

	2016		2015	
Balance, beginning of year	P	1,085,360,667	P	1,474,786,001
Availments		49,250,000		-
Payments during the year		(389,425,334)		(389,425,334)
	P	745,185,333	P	1,085,360,667
Current portion		(316,933,333)		(389,425,333)
Balance, end of year	P	428,252,000	P	695,935,334

Long-term loans pertain to loans obtained by the Group 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		200,792,000		200,792,000
Machineries and equipment		1,669,053,000		1,669,053,000
	P	2,022,364,000	P	2,022,364,000

Land is stated at the appraised value as determined by the in-house appraisal of the bank. The titles of real estate properties were not restricted.

Long term loans mature until 2019 and bear interest rates ranging from 3.5%-6.0% in 2016 and 3.5%-6.0% in 2015. The maturities of long-term loan at nominal values as at December 31, 2016 and 2015 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	240,261	P 281,856	P 107,146	P 629,263

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	389,425	P 695,935	- P	1,085,360

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

The Group is up to date in the amortization of its loan and has not committed breaches with its loan agreements.

Total interest expenses recognized amounted to P141.5 million, P168.0 million and P189.0 million in 2016, 2015 and 2014, respectively (see Note 25).

17. Other Current Liabilities

This account consists of:

	2016		2015	
Taxes payable	P	15,825,545	P	19,559,082
SSS/Pagibig/Philhealth premium payables		11,743,996		3,011,652
Deferred output VAT		11,115,320		12,293,712
	P	38,684,861	P	34,864,446

Taxes payable consist of withholding taxes and VAT payable. Withholding taxes represents income taxes withheld from the salaries of employees and creditable taxes withheld from sources under the expanded withholding tax system from the remuneration of suppliers, agents and other corporations for services rendered and was remitted to Bureau of Internal Revenue (BIR) in January 2017. VAT payable represents for VAT on sales of December 2016, net of allowable input taxes, and was remitted to Bureau of Internal Revenue (BIR) in January 2017.

SSS/Pagibig/Philhealth premiums and loans represent amounts deducted from the officers and staff for the contributions and for those with outstanding loans. The Group remitted to the proper government agency the amounts in January 2017.

Deferred output VAT represents VAT on sale of services whose revenues are recognize during the year the services are rendered but the output VAT are recognizable upon collection. The deferred output VAT are expected to be remitted to the government (net of Input VAT) immediately upon collection of related receivables which is expected to be settled within twelve (12) months.

18. Equity

Share Capital

The Group has an authorized share capital of P5,000.0 million divided into 5,000.0 million common shares at P1 par value. As at December 31, 2016 and 2015, the number of total common shares subscribed, issued and outstanding totaled to 4,112.1 million shares for a total amount of P4,112.1 million.

Additional Paid-in Capital

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

Retained Earnings and Dividends

In a meeting held on May 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 Group as at December 31, 2015, to all stockholders of record as at June 16, 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.

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

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group's may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes for the years ended December 31, 2016 and 2015.

The Group monitors its use of capital structure using a gearing ratio of debt to equity which is gross debt divided by total capital. The Group includes within gross debt all loans and borrowings, while equity represents total equity. The Group strategy is to maintain a debt to equity ratio of not exceeding 90%. Following is the computation of the Group's debt-to-equity ratio as at December 31, 2016 and 2015:

		2016		2015
Short-term debts				
Trade payables	P	503,073,618	P	568,449,385
Trust receipts payable		284,430,347		137,914,838
Notes payable		2,449,190,334		2,166,856,333
Current portion of long-term loans		316,933,333		389,425,333
Other current liabilities		38,684,861		34,864,446
	P	3,592,312,493		3,297,510,335
Long-term debts				
Long-term loans-net of current portion		428,252,000		695,935,334
Total debt (a)	P	4,020,564,493	P	3,993,445,669
Equity (b)	P	5,052,383,816	P	4,955,376,394
Debt-to-equity		80%		81%

The Group is not subject to externally imposed capital requirements. The capital structure of the Group consists of equity attributable to equity holders comprising issued capital, paid-up capital, retained earnings and accumulated actuarial losses on defined benefit obligation.

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

19. Related Party Transactions

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

Significant related party transactions include the following:

- a) The Group is leasing its office at PPL Building, United Nations Avenue corner San Marcelino Street, Manila from US Automotive Co., Inc., a majority stockholder of the Group. The lease is for one (1) year period and is being renewed annually subject to mutual agreement of the parties. In renewal, the Management considers the lease rates charged to the other tenants in the building and in the vicinity. No outstanding payable as of December 31, 2016 and 2015. There are no other ongoing contractual or other commitments as a result of the arrangement.
- b) The Group purchased labels from Philippine Label Pack Corp., a corporation wherein some major stockholders are family members of one (1) of the Group's directors/executive officers. These transactions are made substantially on the same terms and conditions as transactions with other suppliers of the Group. The purchase price depends on the prices submitted/quoted by various suppliers. No outstanding payable as of December 31, 2016 and 2015. There are no ongoing contractual or other commitments as a result of the arrangement.
- c) The Group engages in regular bank transactions with Philtrust Bank, an affiliated local commercial bank, under common control of certain major stockholders.
- d) The Group avails of advertising services of Manila Publishing Corporation, an affiliate under common control of certain major stockholders.

- e) The Group avails of hotel services of Manila Hotel, an affiliated under common control of certain major stockholders.

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

		2016		
Related Party	Nature	Amount/ Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc. (See Notes 31, 34)	Rent expense Payments	30.5 million (30.5 million)	-	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Affiliated Companies				
Philtrust Bank (Philippine Trust Company) (See Note 6)	Cash in bank, net deposit Interest income	306.75 million 6.5 million	306.75 million -	Earn interest at the prevailing bank deposit rates; unimpaired;
Manila Bulletin Publishing Corp. (See Note 24)	Advertising services Payments	4.4 million (4.1 million)	0.3 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	0.3 million (0.3 million)	-	Hotel charges are the same as charged to other regular customers:
Philippine Label Park Corp. (See Note 23)	Purchase of labels Payments	1.7 million (1.7 million)	-	Same terms and conditions as transactions with other suppliers of the Company. Purchase price depends on the prices submitted by various suppliers
Advance Solutions Inc. (See Note 9)	Advances to supplier Purchase of equipment	50 million 2.9 million	50 million -	Cash advances, non-interest bearing, to be settled in cash, unimpaired
Key management personnel				
Various officers (See Notes 9,13)	Net Advances	19.1 million	77.4 million	Non-interest bearing, payable through salary deductions

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

Compensation of Key Management Personnel

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

	2016	2015
Short-term employee benefits	P 46,981,390	P 39,412,023
Post-employment benefits	3,282,562	3,948,587
	P 50,263,952	P 43,360,610

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

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

20. Retirement Benefit Obligation

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

	2016		2015		2014	
Current service cost	P	9,719,079	P	9,814,932	P	7,433,633
Net interest cost		5,819,539		4,353,430		4,262,759
	P	15,538,618	P	14,168,362	P	11,696,392

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

	2016		2015		2014	
Cost of goods manufactured and sold	P	5,950,845	P	5,409,450	P	4,855,568
Administrative and marketing expense		1,909,598		8,004,395		6,165,528
Distribution expense		7,681,175		754,517		675,296
	P	15,541,618	P	14,168,362	P	11,696,392

Liability recognized in the consolidated statement of financial position:

	2016		2015	
Present value of benefit obligation	P	131,719,071	P	120,606,972
Fair value of plan assets		-		-
Retirement benefit obligation	P	131,719,071	P	120,606,972

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

	2016		2015	
Balance at beginning of year	P	120,606,972	P	96,526,196
Total retirement expense		15,538,618		14,168,362
Total amount recognized in OCI		-		20,732,073
Benefits paid		(4,426,519)		(10,819,659)
Balance at end of year	P	131,719,071	P	120,606,972

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

	2016		2015
Balance at beginning of year	P 120,606,972	P	96,526,196
Current service cost	9,719,079		9,814,932
Net interest cost	5,819,539		4,353,430
Benefits paid	(4,426,519)		(10,819,659)
Actuarial loss/(gain) due to:			
Experience adjustments	-		22,394,598
Change in demographic assumptions	-		(1,733,313)
Changes in financial assumptions	-		70,788
Balance at end of year	P 131,719,071	P	120,606,972

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

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

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

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

	2016	2015
Discount rate	5.09%	5.09%
Salary increase rate	1.00%	1.00%

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

In 2016 and 2015, Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2016, assuming if all other assumptions were held constant:

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

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

21. Revenues

This account consist of

	2016		2015		2014
Local sales	P 4,018,962,700	P	3,735,953,165	P	4,007,430,959
Export sales					
ASEAN	254,405,537		294,480,412		294,480,412
Other Asian countries	20,976,283		10,465,149		14,631,761
Others	35,228,914		32,238,937		59,509,641
	310,610,734		337,184,498		368,621,814
Total net sales	4,329,573,434		4,073,137,663		4,376,052,773
Service income	500,624,248		389,214,828		327,529,686
	P 4,830,197,682	P	4,462,352,491	P	4,703,582,459

The amount above is net of sales returns and sales discounts for prompt payments and volume discounts which the Group is extending to customers in its ordinary course of business. Sales returns and discounts amounted to P51.2 million, P64.3 million and P68.1 million in 2016, 2015 and 2014, respectively.

22. Cost of Goods Manufactured and Sold

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

	2016		2015		2014
Raw materials and supplies	P 1,450,979,376	P	1,546,358,393	P	1,296,651,989
Direct labor (Note 20)	313,236,810		344,417,009		362,544,220
Manufacturing overhead	1,058,958,868		723,831,580		1,196,082,452
Cost of goods manufactured	2,823,175,054		2,614,606,982		2,855,278,661
Finished goods					
Beginning of year	739,406,408		981,593,753		1,061,378,731
Purchases	232,203,997		177,793,496		360,741,154
End of year (Note 9)	(623,746,074)		(739,406,408)		(981,593,753)
	P 3,171,039,385	P	3,034,587,823	P	3,295,804,793

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

	2016		2015		2014
Beginning of year	P 1,546,358,393	P	380,089,575	P	443,876,828
Purchases	421,621,581		1,587,109,788		1,232,864,736
Raw materials and supplies available for use	1,967,979,974		1,967,199,363		1,676,741,564
End of year (Note 9)	(517,000,598)		(420,840,970)		(380,089,575)
	P 1,450,979,376	P	1,546,358,393	P	1,296,651,989

The details of manufacturing overhead are as follows:

	2016		2015		2014
Utilities	P 226,253,452	P	84,941,648	P	251,222,222
Depreciation and amortization (Note 11)	205,872,697		147,991,847		249,331,097
Repairs and maintenance	166,218,520		79,768,075		116,042,158
Rentals (Note 28)	159,174,054		208,042,398		215,696,312
Contractual services	76,052,442		13,864,751		16,649,924
Gas and oil	78,294,200		70,605,936		118,939,992
Indirect labor	68,261,785		86,823,147		116,899,195
Supplies	61,877,075		18,278,499		92,649,697
Insurance	3,927,642		2,746,792		2,931,650
Taxes and licenses	3,388,754		4,546,528		5,891,875
Security services	3,149,150		2,672,695		4,804,841
Miscellaneous	6,489,097		3,549,264		5,023,489
	P 1,058,958,868	P	723,831,580	P	1,196,082,452

23. Administrative and Selling Expenses

This account consists of:

	2016		2015		2014
Administrative expenses	P 442,680,776	P	402,105,142	P	365,003,859
Selling expenses	394,131,322		292,653,491		303,132,896
	P 836,812,098	P	694,758,633	P	668,136,755

The details of administrative expenses are as follows:

	2016		2015		2014
Salaries and commissions	P 110,408,895	P	102,815,164	P	94,087,780
Senior citizen and disability discount	72,448,615		55,303,451		40,119,706
Depreciation and amortization (Note 11)	51,881,614		82,377,625		45,137,349
Taxes and licenses	52,219,785		29,581,689		37,499,349
Rentals (Note 28)	32,730,642		31,591,048		29,318,115
Professional fees	19,317,268		19,368,483		21,884,637
Light and water	14,781,004		10,818,524		13,412,814
Representation and entertainment	13,604,024		13,112,325		12,244,458
Service fee	11,635,823		7,951,989		7,415,664
Transportation and travelling	11,210,712		11,280,369		13,434,119
Repairs and maintenance	11,166,415		1,364,449		4,716,478
Office supplies	6,641,029		6,679,742		10,725,968
Provision for credit losses (Note 8)	2,709,127		2,630,219		2,553,612
Postage and telephone	1,701,215		1,664,134		1,650,324
Insurance	1,459,072		3,223,314		3,179,675
SSS/Medical/ECC/HDMF	1,170,363		1,157,495		1,152,708
Training and seminars	531,564		3,079,074		6,034,571
Gas and oil	5,663,295		5,669,035		5,669,035
Miscellaneous	21,400,313		12,437,013		14,767,497
	P 442,680,775	P	402,105,142	P	365,003,859

The details of selling expenses are as follows:

	2016	2015	2014
Marketing and development expense	P 237,865,349	P 134,132,436	P 142,942,260
Salaries and commissions (Note 20)	90,413,793	88,502,837	90,305,078
Transportation and travelling	39,261,330	41,738,899	42,471,580
Representation and entertainment	6,558,412	10,323,498	7,157,656
SSS/Medical/ECC/HDMF	4,399,108	4,323,804	4,363,152
Training and seminars	3,971,408	2,815,126	4,546,257
Postage and telephone	2,375,662	2,818,197	3,143,757
Deliveries	1,998,351	2,338,367	2,806,286
Insurance	1,611,256	1,845,666	1,660,790
Office supplies	825,561	478,858	1,176,565
Depreciation and amortization (Note 11)	544,629	417,668	180,254
Repairs and maintenance	329,821	404,367	358,067
Taxes and licenses	21,898	998,269	177,654
Miscellaneous	3,954,744	1,515,500	1,843,539
	P 394,131,322	P 292,653,491	P 303,132,896

The marketing and development expense includes amortization of prepaid marketing and development expense amounting to P71.5 million, P80.4 million and P80.4 in 2016, 2015 and 2014, respectively (see Note 10).

24. Distribution Expenses

This account consists of:

	2016	2015	2014
Delivery expense	P 163,717,165	P 165,286,020	P 183,052,225
Rentals (Note 28)	39,515,274	40,921,913	37,507,906
Salaries and wages (Note 20)	20,404,343	20,213,794	18,559,099
Taxes and licenses	16,338,738	16,177,957	14,894,592
Depreciation and amortization (Note 11)	4,714,224	4,679,274	4,589,307
Repairs and maintenance	3,509,417	4,679,274	3,994,214
Light and water	3,211,572	3,792,148	3,904,070
Office/warehouse supplies	1,528,091	1,563,955	1,529,270
Transportation and travelling	1,261,261	1,719,996	1,558,581
Postage and telephone	1,259,455	1,156,604	1,366,046
SSS/Medical/ECC/HDMF	1,210,247	1,036,082	1,070,041
Insurance	949,911	1,518,624	1,371,254
Representation and entertainment	436,973	590,556	419,180
Miscellaneous	4,207,309	4,473,764	4,052,762
	P 262,263,980	P 267,809,961	P 277,868,547

25. Interest Expense

This account consists of interests on loans as follows:

	2016		2015		2014
Short-term loans (Note 16)	P 109,006,849	P	126,596,077	P	140,400,802
Long-term loans (Note 16)	32,487,437		41,370,996		48,555,216
	P 141,494,286	P	167,967,073	P	188,956,018

No amount of interest was capitalized in 2016, 2015 and 2014.

26. Miscellaneous Income

This account consists of:

	2016		2015		2014
Royalty income	P 4,947,319	P	4,295,915	P	2,581,050
Interest on car/housing loan	1,501,388		2,108,065		1,703,557
Others	7,659,470		5,459,846		7,801,407
	P 14,108,177	P	11,863,826	P	12,086,014

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

27. Income Taxes

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

	2016		2015		2014
Corporate income tax	P 141,940,160	P	102,477,683	P	88,175,534
Final tax	1,891,815		4,211,667		4,922,990
Deferred	(4,146,368)		(1,333,076)		(274,598)
	P 139,685,607	P	105,356,274	P	92,823,926

The corporate income tax is 30% in 2016, 2015 and 2014. In 2016, 2015 and 2014, the Group availed of the itemized deductions method in claiming its deductions.

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

	2016		2015
Unfunded retirement benefit obligation	P 39,515,721	P	36,182,092
Allowance for credit losses	14,201,418		13,388,680
	P 53,717,139	P	49,570,772

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

	2016			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	36,182,092	P 3,333,629		P 39,515,721
Allowance for impairment losses	13,388,680	812,738		14,201,418
	P 49,570,772	P 4,146,367	P -	P 53,717,139
	2015			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Unfunded retirement liability	P 29,966,835	P 590,011	P 6,219,622	P 36,776,468
Adjustment	(594,376)	-	-	(594,376)
As adjusted	29,372,459	590,011	6,219,622	36,182,092
Allowance for impairment losses	12,599,613	789,067		13,388,680
NOLCO	46,002	(46,002)		-
	P 42,018,074	P 1,333,076	P 6,219,622	P 49,570,772

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

	2016	2015	2014
Statutory income tax	P 132,687,618	P 100,910,747	P 90,008,034
Income subject to lower tax rates	(2,974,508)	(6,318,713)	(4,229,116)
Tax effect of timing difference	-		
Non-deductible expenses	12,227,050	7,885,649	2,396,616
	P 141,940,160	P 102,477,683	P 88,175,534

28. Commitments

Unused Letters of Credit

The Group's unused letters of credit amounted to approximately P193.4 million in 2016 and P167.1 million in 2015.

Operating Lease Commitments - Group as a lessee

The Group leases a number of branches and warehouses under operating leases. The leases 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. The Group records rental expense on a straight line basis over the lease terms.

Prepaid rent is reflected as current or non-current asset depending on its expected reversal date. Security deposits will be applied against future lease payments in accordance with respective lease agreements. Operating lease expense recognized in the Group's consolidated statements of comprehensive income amounted to P231.4 million, P 280.6 million and P282.5 million, respectively.

Rental expense is recognized in the following line items in consolidated company statements of comprehensive income:

	2016	2015	2014
Cost of goods sold (Note 22)	P 159,174,054	P 208,042,398	P 215,696,312
Administrative expense (Note 23)	32,730,642	31,591,048	29,318,115
Distribution expense (Note 24)	39,515,274	40,921,913	37,507,906
	P 231,419,970	P 280,555,359	P 282,522,333

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

	2016		2015	
Within one year	P 325,874,695	P	448,808,198	
After one year bt not more than five years	192,959,972		236,637,639	
	P 518,834,667		P 685,445,837	

29. Contingencies

Claims of the Group

The Group has a total forty-one (41) cases which were filed by the Group in various dates and courts in the Philippines against its customers for the collection of various amounts, bouncing checks and insolvency cases by clients where the Group has pending accountabilities.

The aggregate amount claimed for all these cases is approximately P18.0 million.

Claims against the Group

The Group has a case filed by a former employee in the Labor Relation Commission which as at December 31, 2016 has not yet been decided and finalized.

30. Earnings Per Share (EPS)

Computation of basic and diluted EPS is shown below:

	2016		2015		2014
Net income attributable to ordinary equity holders of the parent for basic earnings	P 302,614,449	P	231,012,886		P 207,189,826
Divided by the weighted average number of shares	4,112,140,540		4,112,140,540		4,112,140,540
	P 0.07		P 0.06		P 0.05

31. Financial Risk Management Objectives and Policies

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

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

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

Credit Risk

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

are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

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

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

	2016	2015
Cash in banks	P 728,600,192	P 865,850,824
Short-term placements	340,507,107	314,496,423
Receivables	1,989,038,015	1,821,372,329
Other current assets		
Advances to suppliers and contractors	196,566,922	83,176,474
Bidders and performance bonds	30,669,931	46,086,800
Advances to officers	49,732,224	61,427,975
Advances to employees	5,338,172	27,598,076
Other noncurrent assets		
Rental and security deposits	120,748,889	101,360,548
Advances to officers	27,699,559	35,103,277
Advances to employees	11,871,240	11,085,245
Construction bonds	4,055,095	4,055,095
Available for sale financial asset	200,000	200,000
	P 3,505,027,346	P 3,371,813,066

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

The table below shows the credit quality by class of financial assets as of December 31, 2016 and 2015, gross of allowance for credit losses.

	2016								
	Neither Past Due Nor Impaired			Past Due But Not Impaired	Past due and Impaired	Total			
	High Grade	Standard Grade	Substandard Grade						
Loans and receivables									
Cash in banks	P 728,600,192	P -	P -	P -	P -	P 728,600,192			
Short-term placements	340,507,107	-	-	-	-	340,507,107			
Receivables	845,454,996	-	650,793,157	492,789,862	47,338,055	2,036,376,070			
Other current assets									
Advances to suppliers and contractors	196,566,922	-	-	-	-	196,566,922			
Bidders and performance bond	30,669,931	-	-	-	-	30,669,931			
Advances to officers	49,732,224	-	-	-	-	49,732,224			
Advances to employees	5,338,172	-	-	-	-	5,338,172			
Other noncurrent assets									
Rental and security deposits	120,748,889	-	-	-	-	120,748,889			
Advances to officers	27,699,559	-	-	-	-	27,699,559			
Advances to employees	11,871,240	-	-	-	-	11,871,240			
Construction bonds	4,055,095	-	-	-	-	4,055,095			
Available for sale financial asset	200,000	-	-	-	-	200,000			
	P 2,361,444,327	P -	P 650,793,157	P 492,789,862	P 47,338,055	P 3,552,365,401			

		2015							
		Neither Past Due Nor Impaired			Past Due But Not Impaired	Past due and Impaired	Total		
		High Grade	Standard Grade	Substandard Grade					
Loans and receivables									
Cash in banks	P	865,850,824	P -	P -	P -	-	P -	P -	865,850,824
Short-term placements		314,496,423							314,496,423
Receivables		861,475,808	-	381,814,316	578,082,205	44,628,928			1,866,001,257
Other current assets									
Advances to suppliers and contractors		83,176,474	-	-	-	-			83,176,474
Bidders and performance bond		46,086,800	-	-	-	-			46,086,800
Advances to officers		61,427,975	-	-	-	-			61,427,975
Advances to employees		27,598,076	-	-	-	-			27,598,076
Other noncurrent assets									
Rental and security deposits		101,360,548	-	-	-	-			101,360,548
Advances to officers		35,103,277	-	-	-	-			35,103,277
Advances to employees		11,085,245	-	-	-	-			11,085,245
Construction bonds		4,055,095	-	-	-	-			4,055,095
Available for sale financial asset		200,000	-	-	-	-			200,000
	P	2,411,916,545	P -	P 381,814,316	P 578,082,205	P 44,628,928	P	P	3,416,441,994

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

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

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

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

As at December 31, 2016 and 2015, the aging analysis per class of financial assets is as follows:

		2016					Past due or individually impaired
		Total	Neither past due nor impaired	Past due but not impaired			
				0-60 days	over 60 days		
Loans and receivables							
Cash in banks	P	728,600,192	P 728,600,192	P -	P -	P -	-
Short-term placements		340,507,107	340,507,107				
Receivables		2,036,376,070	756,646,167	651,574,070	533,479,723		47,338,055
Other current assets							
Advances to suppliers and contractors		196,566,922	196,566,922	-	-		-
Bidders and performance bonds		30,669,931	30,669,931	-	-		-
Advances to officers		49,732,224	49,732,224	-	-		-
Advances to employees		5,338,172	5,338,172	-	-		-
Other noncurrent assets							
Rental and security deposits		120,748,889	120,748,889	-	-		-
Advances to officers		27,699,559	27,699,559	-	-		-
Advances to employees		11,871,240	11,871,240	-	-		-
Construction bonds		4,055,095	4,055,095	-	-		-
Available for sale financial assets		200,000	200,000	-	-		-
	P	3,552,365,401	P 2,272,635,498	P 651,574,070	P 533,479,723	P	47,338,055

	2015					
	Total	Neither past due nor impaired	Past due but not impaired		Past due or individually impaired	
			0-60 days	over 60 days		
Loans and receivables						
Cash in banks	P 865,850,824	P 865,850,824	P -	P -	P -	
Short-term placements	314,496,423	314,496,423				
Receivables	1,866,001,257	906,104,736	381,814,316	578,082,205	44,628,928	
Other current assets						
Advances to suppliers and contractors	83,176,474	83,176,474	-	-	-	
Bidders and performance bond	46,086,800	46,086,800	-	-	-	
Advances to officers	61,427,975	61,427,975	-	-	-	
Advances to employees	27,598,076	27,598,076	-	-	-	
Other noncurrent assets						
Rental and security deposits	101,360,548	101,360,548	-	-	-	
Advances to officers	35,103,277	35,103,277	-	-	-	
Advances to employees	11,085,245	11,085,245	-	-	-	
Construction bonds	4,055,095	4,055,095	-	-	-	
Available for sale financial asset	200,000	200,000	-	-	-	
	P 3,416,441,994	P 2,456,545,473	P 381,814,316	P 578,082,205	P 44,628,928	

Liquidity Risk

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

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 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 432,871,123	P -	P 432,871,123	P -	P -	
Trust receipts payable	284,430,347	-	284,430,347	-	-	
Notes payable	2,449,190,334	-	2,449,190,334	-	-	
Long-term loans (including current portion)	745,185,333	-	316,933,333	428,252,000	-	
	P 3,911,677,137	P -	P 3,483,425,137	P 428,252,000	P -	

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

Interest Rate Risk

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

As at December 31, 2016 and 2015, the Group's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Group manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

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

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>				
Trust receipts payable	3.5%-6.0%	P 284,430	P -	P -	P 284,430	
Notes payable	4.0%-7.0%	2,449,191	-	-	2,449,191	
Long-term loans	3.5%-6.0%	316,933	428,252	-	745,185	
		P 3,050,554	P 428,252	-	P 3,478,806	

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>				
Trust receipts payable	3.5%-6.0%	P 137,915	P -	P -	P 137,915	
Notes payable	4.0%-7.0%	2,166,856	-	-	2,166,856	
Long-term loans	3.5%-6.0%	389,425	695,936	-	1,085,361	
		P 2,694,196	P 695,936	-	P 3,390,132	

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

Description	Increase/decrease in basis points	2016	
		Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)
Long term loans	+100bps	P250,704	P175,493
	-100bps	(250,704)	(175,493)

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

Price Risk

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

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

Foreign Exchange Risk

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

The Group holds foreign currency-denominated deposits amounting to P 468,500,777 or U.S. \$ 9,386,912 as at December 31, 2016 and P544,158,868 or U.S. \$11,537,100 as at December 31, 2015, which can be affected by fluctuations of foreign currency exchange.

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

	2016		2015	
	Foreign currency	Peso Conversion	Foreign currency	Peso Conversion
US Dollar	5,403,054	P 269,666,425	7,568,212	P 357,749,398
Euro	296,504	15,441,928	92,850	4,819,822
Singapore Dollar	24,851	853,380	15,766	527,732
ZAR	44,299,680	158,149,857	42,642,136	157,349,481
RUB	18,504,694	24,389,187	17,909,694	23,712,435
	68,528,783	P 468,500,777	68,228,658	P 544,158,868

The Group also has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Group's functional currency. For years 2016 and 2015, approximately 11% and 12%, respectively of the Group's total sales are denominated in currencies other than the functional currency.

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

	2016		2015	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash in banks	\$9,386,912	P 468,500,777	\$11,537,100	P 544,158,868
Exchange rate		47.17		47.17

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

Description	Increase/decrease in basis points	Effect on income before income tax		Effect on equity Increase (decrease)
		Increase	(decrease)	
2016	+10%	P71,646		P50,152
	-10%	(71,646)		(50,152)
2015	+10%	(P65,133)		(P45,593)
	-10%	65,133		45,593

32. Financial Assets and Liabilities

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

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(Amounts in Thousands)</i>				
Financial Assets:				
<i>Loans and receivables</i>				
Cash in banks	P 728,600	P 728,600	P 865,850	P 865,850
Short-term placements	340,507	340,507	314,496	314,496
Receivables	1,989,038	1,989,038	1,821,372	1,821,372
<i>Other current assets</i>				
Advances to suppliers and contractors	196,567	196,567	83,176	83,176
Bidders an performance bond	30,670	30,670	46,087	46,087
Advances to officers	49,732	49,732	61,428	61,428
Advances to employees	5,338	5,338	27,598	27,598
<i>Other noncurrent assets</i>				
Rental and security deposits	120,749	120,749	101,361	101,361
Advances to officers	27,700	27,700	35,103	35,103
Advances to employees	11,871	11,871	11,085	11,085
Construction bonds	4,055	4,055	4,055	4,055
Available-for-sale investment	200	200	200	200
	P 3,505,027	P 3,505,027	P 3,371,811	P 3,371,811
Financial Liabilities:				
<i>Other financial liabilities</i>				
Trade payables	P 432,871	P 432,871	P 524,744	P 524,744
Trust receipts payable	284,430	284,430	137,915	137,915
Notes payable	2,449,190	2,449,190	2,166,856	2,166,856
Long-term loans	745,185	745,185	1,085,361	1,085,361
	P 3,911,676	P 3,911,676	P 3,914,876	P 3,914,876

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

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

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

For rental and security deposits and construction bonds, the fair value is based on the discounted values of future cash flows using the applicable zero coupon rates.

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

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

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

Fair Value Measurement Hierarchy

As at December 31, 2016 and 2015, the Group has no financial instruments measured at fair value.

33. Notes to Statement of Cash Flows

Noncash investing activities pertains to the acquisition from Antech of the "Dr. Edwards" trade name and the entire inventory of products being manufactured, sold and distributed under the trade name with an acquisition price of P50 million pesos through offsetting the same against the total receivables from Antech in the amount of P98.4 million and the balance is represented by a note receivable (See Notes 8 and 13).

34. Reclassification

The Group reclassified certain balance sheet accounts as at December 31, 2015 and 2014 to conform to the 2016 Group's consolidated financial statement presentation and classification. The reclassification was made to present accrued expenses included under other current liabilities to trade payables and other noncurrent liability to other current liability. The reclassification has no impact on the 2015 and 2014 profit and loss and equity of the Group.



**SUPPLEMENTAL WRITTEN STATEMENT
OF INDEPENDENT AUDITORS**

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

We have audited the consolidated financial statements of **Euro-Med Laboratories Phil., Inc.** (the Company") and Subsidiaries for the year ended December 31, 2016, on which we have rendered the attached report dated April 10, 2017.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has five hundred forty three (543) stockholders owning one hundred (100) or more shares each.

MANGAY-AYAM, LIM & CO., CPA'S

TIN 228-756-505

BOA CERT. 0672 - valid until December 31, 2018

SEC Accreditation No. 0302-F (Group A) - valid until December 3, 2017

CDA-CEA 0020-AF - valid until March 20, 2020

BIR AN: 08-001698-0-2015 - valid until February 18, 2018

By:

RODRIGO M. MANGAY-AYAM

Partner

CPA Certificate No. 21565

BOA CERT. 0672 - valid until December 31, 2018

SEC Accreditation No. 1454-A (Group A) - valid until December 3, 2017

BIR AN: 08-001698-2-2014 - valid until January 5, 2018

TIN 123-447-203

PTR No. 5927683MD, January 18, 2017, Makati City

Makati City, Philippines
April 10, 2017



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited, in accordance with Philippine Standards of Auditing, the consolidated financial statements of **Euro-Med Laboratories Phil., Inc. and Subsidiaries** (the 'Group') as at December 31, 2016 and for the year then ended, included in this Form 17-A, and have issued our report thereon dated April 10, 2017. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

MANGAY-AYAM, LIM & CO., CPA'S

TIN 228-756-505

BOA CERT. 0672 - valid until December 31, 2018

SEC Accreditation No. 0302-F (Group A) - valid until December 3, 2017

CDA-CEA 0020-AF - valid until March 20, 2020

BIR AN: 08-001698-0-2015 - valid until February 18, 2018

By:

RODRIGO M. MANGAY-AYAM

Partner

CPA Certificate No. 21565

BOA CERT. 0672 - valid until December 31, 2018

SEC Accreditation No. 1454-A (Group A) - valid until December 3, 2017

BIR AN: 08-001698-2-2014 - valid until January 5, 2018

TIN 123-447-203

PTR No. 5927683MD, January 18, 2017, Makati City

Makati City, Philippines
April 10, 2017

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
Index to the Consolidated Financial Statements
and Supplementary Schedules

- Schedule 1 - Schedule of all the effective standards and interpretation
as at December 31, 2016
- Schedule 2 - Reconciliation of retained earnings available for dividend declaration
- Schedule 3 - Map of the relationships of the Companies within the Group
- Schedule 4 - Financial soundness indicators
- Schedule 5 - Supplementary schedules required by Annex 68-E

Schedule 1

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards

Effective as at December 31, 2016

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

		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosure		Not early adopted	
	Servicing Contracts		Not early adopted	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements		Not early adopted	
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets		Not early adopted	
PFRS 9	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception		Not early adopted	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations		Not early adopted	
PFRS 12	Disclosure of Interest in Other Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception		Not early adopted	
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivables and payables	✓		
	Amendments to PFRS 13: Portfolio Exception		Not early adopted	
PFRS 14	Regulatory Deferral Accounts		Not early adopted	
PFRS 15	Revenue from Contracts with Customers		Not early adopted	

Philippine Accounting Standards

PAS 1	Presentation of Financial Statements	✓		
(Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Financial Statement Disclosures		Not early adopted	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	Not early adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants	Not early adopted		
PAS 17	Lease	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Cost	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements	Not early adopted		
PAS 28 (Revised)	Investments in Associate and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Liabilities	Not early adopted		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intagroup Transactions			✓
	Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedge Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting	Not early adopted		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants	Not early adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instrument			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		

		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangement			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	Minimum Funding Requirements and their Interaction	✓		
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate	Not early adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC - 7	Introduction of the Euro			✓
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendments to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC - 15	Operating Lease -Incentives	✓		

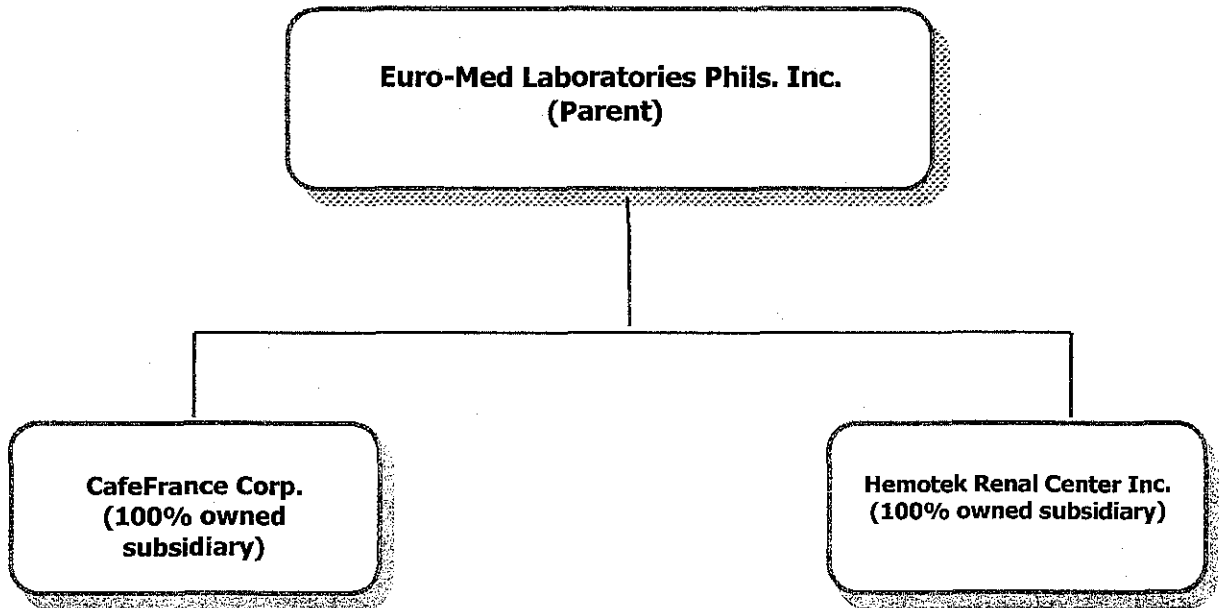
Schedule 2

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
AS AT DECEMBER 31, 2016**

Unappropriated Retained Earnings, beginning, unadjusted	P 811,406,919
Adjustment in prior years:	
Deferred tax assets	(49,570,772)
Unappropriated Retained Earnings, as adjusted, beginning	761,836,147
Net income based on the face of AFS	302,614,449
Less: Non-actual/unrealized income net of tax	
Recognized deferred income tax assets	(4,146,367)
Net Income Actual/Realized	1,060,304,229
Less: Non-actual/unrealized income net of tax	
Dividends declared	(205,607,027)
Unappropriated Retained Earnings, as adjusted, ending	P 854,697,202

Schedule 3

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS AT DECEMBER 31, 2016**



Schedule 4**FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2016 and 2015**

	2016	2015
LIQUIDITY/SOLVENCY RATIOS		
CURRENT RATIO	1.28	1.38
LIQUIDITY RATIO	0.85	0.93
WORKING CAPITAL TO TOTAL ASSETS RATIO	0.11	0.14
SOLVENCY RATIOS		
DEBT-TO-EQUITY RATIO	0.84	0.84
ASSET TO EQUITY RATIO	1.84	1.84
NET DEBT TO EQUITY RATIO	0.63	0.66
SOLVENCY RATIO	0.13	0.11
PROFITABILITY RATIO		
RETURN ON ASSETS (ROA)	0.03	0.03
RETURN ON EQUITY (ROE)	0.06	0.05
GROSS PROFIT MARGIN RATIO	0.34	0.32
INTEREST RATE COVERAGE RATIO	4.13	3.00
PROFIT MARGIN	0.06	0.05

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule A FINANCIAL ASSETS
As of December 31, 2016

<i>Name of issuing entity and association of each issue (1)</i>	<i>Number of shares or principal amount of bonds and notes</i>	<i>Amount shown in the balance sheet*(2)</i>	<i>Value based on market quotation at balance sheet date (3)</i>	<i>Income received and accrued</i>
1.) Available for Sale (AFS)				
1.1) Philippine Long Distance Telephone Company		20,250		
1.2) Casino Espanol		200,000		
Total		220,250		

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

**Schedule B Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As of December 31, 2016**

Name and Designation of debtor (1)	Balance at beginning of period Jan. 01, 2016	Additions	DEDUCTIONS		Amount written off (3)	Current	Not Current	Balance at end of period Dec. 31, 2016
			Amount collected (2)					
Advances to Officers/Employees								
Salary loan	3,697,628	7,007,882	6,900,597			3,804,912	-	3,804,912
Cash advance (for liquidation)	23,625,486	20,449,284	27,430,247			16,644,523	-	16,644,523
Car/Housing	20,294,085	9,331,803	14,113,475			15,512,413		15,512,413
TOTAL >>>>>	47,617,199	36,788,969	48,444,319		-	35,961,849	-	35,961,849

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule C Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
As of December 31, 2016

Name of and Designation of debtor	Balance of Beginning of period Jan. 01, 2016	Additions	Amounts Collected	Amounts written off	Current	Not Current	Balance at end of period Dec. 31, 2016
1.) Hemotek Renal Center, Inc.	P 30,000,000	0	0		P 30,000,000		P 30,000,000
2.) CafeFrance Corp.	495,574,949	78,300,000	12,000,000		561,874,949		561,874,949
Total	525,574,949.00	78,300,000	-		591,874,949	0	591,874,949

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule D INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2016

<i>Description (1)</i>	<i>Beginning balance Jan. 1, 2016</i>	<i>Additions at cost (2)</i>	<i>Charged to cost & exp.(3)</i>	<i>Charged to other accounts</i>	<i>Other charges- additions/(deductions)</i>	<i>Ending balance Dec. 31, 2016</i>
1.)Trademarks and Licenses	223,399,836	44,733,015				268,132,851
2.)Patents/Rights	1,145,458	13,221	180,254			978,425
TOTAL	224,545,294	44,746,236	180,254	P -	- P	269,111,276

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule E LONG TERM DEBT
As of December 31, 2016

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule F Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
As of December 31, 2016

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

Schedule G GUARANTEES OF SECURITIES OF OTHER ISSUERS (1)
As of December 31, 2016

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

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES

**Schedule H CAPITAL STOCK
As of December 31, 2016**

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