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S.E.C. Registration Number

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

(Company's Full Name)

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

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

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

Contact Person

5 2 6 4 1 5 3

Company Telephone Number

0 9 3 0

Month Day
Fiscal Year

2 0 1 7

1 7 Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Cashier

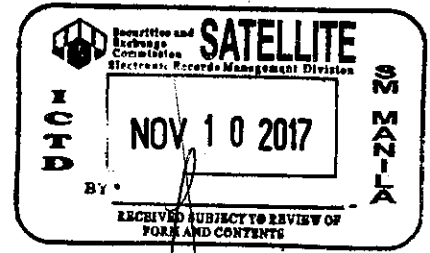
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



1. For the quarterly period ended September 30, 2017

2. SEC Identification Number 148022 3. BIR Tax Identification No. 000-288-655V

4. Exact name of registrant as specified in its charter EURO-MED LABORATORIES PHIL., INC.

5. Philippines 6. (SEC Use Only)
(Province, country or other jurisdiction of Industry Classification Code:
incorporation or organization)

7. 1000 United Nations Avenue cor. San Marcelino St., Manila 1000
Address of principal office postal code

8. (632) 524-0091 to 98
Issuer's telephone number, including area code

9. Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

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

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

Yes [x] No []

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

Philippine Stock Exchange

Common Stock

12. Check whether the issuer:

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

Yes [x] No []

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

Yes [x] No []

EURO-MED LABORATORIES PHIL., INC.
TABLE OF CONTENTS
SEC FORM 17-Q

	<u>Page</u>
Part I FINANCIAL INFORMATION	
Item 1. Financial Statements	8-63
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1-7
SIGNATURES	7

Part I – Financial Information

Item 1. Financial Statements

See accompanying Interim Financial Statements.

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

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

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

The financial risk exposures of the company are as follows:

1. Currency or Foreign Exchange risk.

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

The Peso/Dollar exchange rate depreciated from about ₱ 49.91/US\$ 1 in January 2017 to about ₱ 51.97/US\$ 1 in September 2017. The company's export sales for the periods ended January to September 2017 and 2016 are 10% and 9% respectively of total sales, which are denominated in foreign currency.

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

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

2. Interest rate risk.

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

The company's loans as of September 30, 2017 that is exposed to interest rate risks are as follows:

Maturing within one (1) year			
Notes payable	P	1,964,547,332	
Acceptances payable		<u>275,886,891</u>	2,240,434,223
Maturing over one (1) year			
Notes payable		389,002,000	<u>389,002,000</u>
Total			<u>2,629,436,223</u>

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

3. Credit risk.

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

The maximum credit exposure of the company as of September 30, 2017 follows:

Cash in banks	P	583,752,466
Trade receivables-net		1,861,371,483
Non-trade receivables		<u>49,411,030</u>
		<u>2,494,534,979</u>

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

4. Market risk.

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

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

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

5. Liquidity risk.

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

The Company's financial liabilities as of September 30, 2017 that are exposed to liquidity risk are as follows:

Bank Loans:		
Maturing within one (1) year	P	1,918,690,332
Maturing over one (1) year		45,857,000
Trade accounts payable		363,423,654
Acceptances payable		275,886,891
Income tax payable		32,607,534
Agency payable/accrued expenses		20,468,884
	P	<u>2,656,934,295</u>

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

B. Euro-Med's financial instrument profile as of September 30, 2017 follows:

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

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

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

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

The Company has no complex securities particularly on derivatives.

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

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

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

4.1) On Trade receivables –

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

4.2. Bank loans (Notes payable and Acceptances payable)

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

4.3) Trade accounts payable

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

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

	As of Sept. 30, 2017		As of December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
A. Financial assets	P			P
Cash		583,752	758,681	758,681
Trade & other receivables-net		1,910,782	1,823,358	1,823,358
Available for sale securities				
Unquoted		200	200	200
TOTAL		<u>2,494,734</u>	<u>2,582,239</u>	<u>2,582,239</u>
B. Financial liabilities				
Trade accounts payable		363,424	401,055	401,055
Notes payable - current		1,964,547	2,056,451	2,056,451
Notes payable - non-current		389,002	389,002	389,002
Acceptances payable		275,887	284,430	284,430
Other current liabilities		20,469	19,009	19,009
TOTAL	P	<u>3,013,329</u>	<u>3,149,947</u>	<u>3,149,947</u>

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

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

1.) The Company's net sales increased by 9.3 % from P 2,379.5 million for the first three quarters of 2016 to P 2,601.1 million for the first three quarters of 2017. The increase in sales was attributed to the increase in local sales which increased by 8.4% from P2,162.3 million for the first three quarters of 2016 to P 2,343.9 million for the first three quarters of 2017. Export sales increased by 18.46% from P 217.2 million for the first three quarters of 2016 to P 257.2 million for the first three quarters of 2017. The increase (decrease) in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the forecast. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) Gross profit from sales increased by 3.8% from P 875.0 million for the first three quarters of 2016 to P 908.1 million for the first three quarters of 2017. Cost of goods manufactured and sold increased by 12.5% from P1,504.4 million for the first three quarters of 2016 to P 1,693.0 million for the first three quarters of 2017. As a percentage of net sales, cost of goods manufactured and sold increased from 63.2% for the first three quarters of 2016 to 65.1% for the first three quarters of 2017. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Income from operations (income before finance income/cost and miscellaneous income) increased by 9.9% from P 285.3 million for the first three quarters of 2016 to P313.7 million for the first three quarters of 2017. Operating expenses (administration, selling and distribution) increased by 0.8% from P589.73 million for the first three quarters of 2016 to P 594.4 million for the first three quarters of 2017. The increase was due to the increase in variable operating expenses of administrative expenses, distribution and marketing expenses. As a percentage of the Company's net sales, operating expense ratio decreased from 24.8% for the first three quarters of 2016 and 22.9% for the first three quarters of 2017. Changes in income from operations and operating expenses are management's indicators for the degree

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

4.) Net Finance and miscellaneous income/cost decreased by 22% from P 91.8 million for the first three quarters of 2016 to P 71.6 million for the first three quarters of 2017. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax increased by 25.1% from P 58.1 million for the first three quarters of 2016 to P 72.6 million for the first three quarters of 2017. Net income increased by 25.1% from P 135.5 million for the first three quarters of 2016 to P 169.5 million for the first three of 2017. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of- return expectations. The percentage change in net income is calculated by dividing the peso increase/decrease in net income by the peso net income during the comparable period of previous year.

The Company's total assets decreased by 2.6% from P 8,353.6 billion in 2016 to P8,139.3 billion in 2017. Current ratio increased by 2.3% from 1.58:1 in 2016 to 1.62:1 in 2017, while Equity ratio increased by 2.6% from 0.49:1 in 2016 and 0.51:1 in 2017.

The decrease in cash and cash equivalents was due to the payments of loans and accounts payable. The decrease in inventories was due to lower inventories on distributed products as some distribution agreement has ended. The decrease in trade accounts payable was due to payments made to suppliers of goods and services. The increase in Notes payable was due to availment of short term loans. The decrease in current portion of long term debt was due to loan payments during the period. The increase in other current liabilities was due to increase of VAT payable. The amount of net income tax payable (net of BIR form 2307) decreased since the amount as of 31 December, 2016 represents the audited final and adjusted income tax payable for the year 2016, while the amount as of 30 September 2017 includes only the estimated tax on income for the quarter ending September 30, 2017 as the year 2016 income tax has been paid in April 2017. The decrease in Retained Earnings was due to the declaration of 5% cash dividends in June 2017, payable on 21 July 2017.

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

SIGNATURES

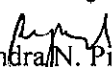
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EURO-MED LABORATORIES PHILS., INC.

By:


Georgiana S. Evidente
President 

November 09, 2017


Sandra N. Pineda
Chief Accountant

November 09, 2017

EURO-MED LABORATORIES PHIL., INC.

STATEMENTS OF FINANCIAL POSITION

		30 September	31 December
	Notes	2017	2016
		(Unaudited)	Audited
ASSETS			
Current			
Cash and cash equivalents	6,33,34	P583,752,466	P758,681,598
Receivables, net	5,7,20, 33,34	1,910,782,513	1,823,358,429
Inventories	5,8	881,520,962	1,005,420,950
Other current assets	9,33,34	915,701,287	889,229,430
		4,291,757,228	4,476,690,407
Non-current			
Investment in subsidiary	10	600,000,000	600,000,000
Property, plant and equipment	5,11,15	2,631,410,191	2,661,531,887
Intangible Assets	5,12	268,889,079	269,021,118
Deferred tax assets	4,5,27	52,340,935	52,340,935
Other non-current assets	5,13	294,966,521	294,033,387
		3,847,606,725	3,876,927,327
TOTAL ASSETS		P8,139,363,953	P8,353,617,734
LIABILITIES AND EQUITY			
Current			
Trade accounts payable	14,33,34,36	363,423,654	401,055,217
Notes payable	15,33,34	1,918,690,332	1,816,190,334
Current portion of long-term loan	15,33,34	45,857,000	240,261,333
Acceptances payable	15,33,34	275,886,891	284,430,347
Income tax payable	28	32,607,534	74,102,547
Others	17,36	20,468,884	19,008,588
		2,656,934,294	2,835,048,366
Non-current			
Notes payable -net of current portion	15,33,34	389,002,000	389,002,000
Retirement liability	4,5,27	127,131,724	127,131,724
		516,133,724	516,133,724
Equity			
Share Capital	18	4,112,140,540	4,112,140,540
Share premium	18	66,609,227	66,609,227
Retained Earnings	18	823,669,119	859,808,826
Accumulated Actuarial Losses on defined benefit obligation	27	(36,122,949)	(36,122,949)
		4,966,295,937	5,002,435,644
TOTAL LIABILITIES AND EQUITY		P8,139,363,953	P8,353,617,734

See accompanying Notes to Financial Statements

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

	Notes	2017		2016	
		July- Sept.	Jan. - Sept.	July- Sept.	Jan. - Sept.
NET SALES	20	P972,806,407	P2,601,129,173	P881,154,185	P2,379,475,453
COST OF GOODS					
MANUFACTURED AND SOLD	21	656,936,991	1,693,036,979	560,718,798	1,504,429,946
GROSS PROFIT		315,869,416	908,092,194	320,435,387	875,045,507
OPERATING EXPENSES					
Administrative expenses	19,23	(23,887,927)	(99,850,748)	(27,231,514)	(102,819,500)
Marketing expenses	19,23	(88,345,240)	(285,796,714)	(102,657,575)	(286,629,282)
Distribution expenses	19,22	(67,950,130)	(208,753,726)	(64,482,311)	(200,253,219)
		(180,183,297)	(594,401,188)	(194,371,400)	(589,702,001)
OPERATING INCOME		135,686,120	313,691,007	126,063,987	285,343,506
Other Income (Charges)					
Finance income	6	143,343	1,557,360	134,460	3,299,060
Finance cost	23	(28,230,735)	(89,159,913)	(28,027,176)	(91,046,347)
Foreign exchange gain (loss)	25	8,613,063	9,233,656	(1,766,724)	(2,328,003)
Miscellaneous income	25	477,614	6,774,051	525,871	(1,751,438)
		(18,996,714)	(71,594,845)	(29,133,569)	(91,826,728)
INCOME BEFORE INCOME TAX		116,689,406	242,096,162	96,930,418	193,516,778
PROVISION FOR INCOME TAX	28	35,006,822	72,628,849	29,079,125	58,055,033
NET INCOME		P81,682,584	P169,467,313	P67,851,293	P135,461,745
EARNINGS PER SHARE					
Basic and Diluted	30	P0.02	P0.04	P0.02	P0.03

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

STATEMENTS OF CHANGES IN EQUITY

		Share Capital (Notes 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Notes 18)	Accumulated Actuarial Losses on Retirement Benefit Plan (Note 27)	Sept. 30, 2017
Balances, 31 December 2016	P	P4,112,140,540	P66,609,227	P859,808,833	P(36,122,949) P	P5,002,435,651
Net income – for the period Jan.- Sept. 2017				169,467,313		169,467,313
Cash Dividends				(205,607,027)		(205,607,027)
As at Sept. 30, 2017	P	4,112,140,540	66,609,227	823,669,119	(36,122,949) P	4,966,295,937

		Share Capital (Notes 18)	Additional Paid-in Capital (Note 18)	Retained Earnings (Notes 18)	Accumulated Actuarial Losses on Retirement Benefit Plan (Note 27)	Sept. 30, 2016
Balances, 31 December 2015	P	P4,112,140,540	P66,609,227	P778,741,272	P(36,122,949) P	P4,921,368,090
Net income – for the period Jan.- Sept. 2016				135,461,745		135,461,745
Cash Dividends				(205,607,027)		(205,607,027)
As at Sept. 30, 2016	P	4,112,140,540	66,609,227	708,595,990	(36,122,949) P	4,851,222,808

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

		For The Nine Months Ended	
	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P 242,096,162	P 193,516,777
Adjustments for:			
Depreciation and amortization	11, 12	126,751,846	123,505,252
Finance Cost	24	89,159,913	91,046,347
Foreign exchange(gain) loss	5,7,25	9,233,656	2,328,003
Finance Income	6	(1,557,360)	(3,299,060)
Operating income before working capital changes		465,684,217	407,097,319
Changes in assets and liabilities:			
(Increase) Decrease in:			
Receivables, net	5,7,32,33	(87,424,084)	(5,216,947)
Inventories	5,8	123,899,988	205,418,666
Other current assets	9	(26,471,857)	(47,595,076)
Other non-current assets	13	(933,134)	61,722,130
Increase (decrease) in:			
Trade accounts payable	14,32,33	(37,631,563)	(7,353,456)
Trust receipts payable	16,32,33	(8,543,456)	96,994,069
Other current liabilities	17	1,460,296	14,499,501
Cash generated from operations		430,040,407	725,566,206
Interest paid		(89,159,913)	(91,046,347)
Income tax	28	(114,935,806)	(81,733,699)
Interest received	6	(8,331,411)	780,381
Net cash provided by operating activities		217,613,277	553,566,541
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition / Amortization of:			
Property, plant and equipment	11	(95,031,049)	(185,284,176)
Intangible assets		-	(44,507,667)
Payment of dividends		(205,607,027)	(205,607,027)
Net cash used in investing activities		(300,638,076)	(435,398,870)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans	15	780,000,000	861,000,000
Payment of loans	15	(871,904,333)	(1,016,403,667)
Net cash provided by financing activities		(91,904,333)	(155,403,667)
NET INCREASE IN CASH		(174,929,133)	(37,235,996)
CASH, BEGINNING OF YEAR		758,681,598	953,128,715
CASH END OF THE PERIOD	6,20,32,33	P 583,752,466	P 915,892,719

See accompanying Notes to Financial Statements

EURO-MED LABORATORIES PHIL., INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

The Parent Company began its commercial production in 1991 after it has been registered with the Food and Drug Administration (FDA) formerly 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.

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.

2. Basis of Preparation

Basis of Financial Statement Presentation

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

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

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

Statement of Compliance

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

3. Changes in Accounting Policies and Disclosures

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, 2017:

- 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 parent company, given that the parent company is not using revenue-based method to depreciate its property, plant and equipment and intangible assets.

- PAS 27, "*Separate Financial Statements - Equity Method in Separate Financial Statements*" (Amendments)

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. The amendments do not have any impact on the parent company's financial statements.

- 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 parent company 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 parent company 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 parent company 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 other comprehensive income (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 parent company.

- 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 parent company 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 Parent Company.

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 Company 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, "*Parent company 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 parent company 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 parent company 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 parent company.

- 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 parent company 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 will not have any impact on the parent company.

- 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 pay mentor 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 Parent Company plans to adopt the new standard on the required effective date.

- 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 Parent Company does expect the adoption of this interpretation to have any significant impact on the 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 parent company since the parent company 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 Parent Company plans to adopt the new standard on the required effective date. Based on the following preliminary assessment, the Parent Company expects no significant impact to the parent company financial position.

(a) Classification and Measurement

The Parent Company does not expect a significant impact on its parent 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 Parent Company expects that these will continue to be measured at amortized cost under PFRS 9. However, the Parent Company 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 parent company to record expected credit losses on all of its loans and trade receivables, either on a 12-month or a lifetime basis. The Parent Company expects to apply the simplified approach and record lifetime expected losses on all receivables. The Parent Company 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 Parent Company 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 Parent Company plans to adopt the new standard on the required effective date.

(a) Sale of goods

The Parent Company 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 Parent Company's profit or loss. The Parent Company 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 Parent Company also provides toll manufacturing services where the parent company's equipment and organizational models and used by another company to process their products for a fee. 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 Parent Company's profit or loss. The Parent Company 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.

(c) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Parent Company 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 parent company financial statements. Many of the disclosure requirements in PFRS 15 are completely new. The Parent Company 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 Parent Company 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 parent company financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus noncurrent classification

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

Initial recognition of financial instruments

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

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

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

Determination of fair value

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

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

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

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

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

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

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

Financial assets and financial liabilities at FVPL

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

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

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

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

As at September 30, 2017 and 2016, the Parent Company has no financial assets and financial liabilities at FVPL.

HTM investments

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

As at September 30, 2017 and 2016, the Parent Company has no investment under this category.

Loans and receivables

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

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

As at September 30, 2017 and 2016, the Parent Company's 'Cash in banks', 'Short-term placements', 'Receivables', 'Advances to Subsidiaries', 'Advances to Suppliers and Contractors', 'Bidders and Performance bonds', 'Advances to Officers' and 'Advances to Employees' are included in this category.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are either designated in this category or not classified in any of the other categories. After initial recognition, AFS financial

assets are measured at fair value with unrealized gains or losses being recognized in the statement of comprehensive income. When the investment is disposed of, the cumulative gains or losses previously recognized as other comprehensive income is recognized in other income. Interest earned or paid on the investment is reported as interest income or expense using the effective interest rate.

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

As at September 30, 2017 and 2016, the Parent Company has financial instruments classified as AFS included under non-current assets (see Note 13).

Other financial liabilities

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized when:

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

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

Financial liability

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

Impairment of Financial Assets

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

Loans and receivables

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

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

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

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

Financial assets carried at cost

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

AFS financial assets

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

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

Classification of Financial Instruments between Debt and Equity

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

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

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

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

Offsetting Financial Instruments

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

Inventories

Finished goods and raw materials are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

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

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

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

NRV for raw materials is the current replacement cost.

Prepaid Expenses

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

Investment in Subsidiary

Investment in subsidiary is accounted for using the cost method, less any accumulated impairment in use, in the parent company financial statements of the Company in accordance with PAS 27. On acquisition date of the investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is included in the carrying amount of the investment and not amortized.

The Parent Company controls an investee when it is exposed, or has rights, to variable returns from its investments with the investee and has the ability to affect those returns through its power over the investee.

The Parent Company controls an investee if and only if, the Parent Company has all the following:

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

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

Property, Plant and Equipment

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

The initial cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property have been put into operation, such as repairs and

maintenance, are normally charged to income in the year the costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance and the cost of such item can be measured reliably, the expenditures are capitalized as an additional cost of the said property, plant and equipment.

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

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

Land improvements	20 years
Building and improvements	30 years
Machineries and equipment	20 years
Transportation equipment	10 years
Laboratory and office equipment and improvements	10 years

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

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

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

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

Impairment of Non-financial Assets

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

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

Equity

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

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

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

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

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be measured reliably. Revenue is measured at the fair

value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue 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.

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.

Costs and Expenses

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

Cost of goods manufactured and sold

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

Distribution and administrative and selling expenses

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

Research and Development Costs

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

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

Leases

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

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;

- c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

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

Parent Company as a lessee

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

Borrowing Costs

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

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

Employee Benefits

Short term benefit

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

Defined benefit plan

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

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

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

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

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

Termination benefit

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

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

Employee leave entitlement

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

Income Tax

Current income tax

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

Deferred income tax

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

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

Deferred income tax assets and liabilities, however, are not recognized when the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction that

is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss.

Deferred income tax assets and liabilities are not provided on non-taxable or nondeductible temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax assets and liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Value Added Tax (VAT)

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

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

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses arising from foreign exchange transactions are credited or charged to operations for the year. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Business Segment Information

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

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

Provisions

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

Contingencies

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

Earnings per Share (EPS)

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

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

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

Related Party Relationships and Transactions

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

Events after the End of Reporting Period

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

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

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

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

Judgments

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

Classification of financial instruments

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

Lease Commitments – Company as a lessee

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

Total rental expense arising from operating leases amounted to P 52.5 million and P43.8 million in 2017 and 2016, respectively (see Note 28).

Contingencies

The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defenses on these matters and is based upon an analysis of potential results. The Parent Company currently does not believe these proceedings will have a material effect on the parent company's financial position. It is possible, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Estimates and Assumptions

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

Impairment of receivables

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

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

The related balances follow (see Note 7):

	September 30, 2017	2016
Receivables	P 1,908,709,538	P 1,870,696,484
Allowance for impairment losses	47,338,055	47,338,055
Provision for impairment losses	-	2,709,127

Measurement of NRV of inventories

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

Inventories carried at cost as at September 30, 2017 and December 2016 amounted to P881.5 million and P1,005.4 million, respectively (see Note 8).

Impairment of AFS financial assets

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

As at September 30, 2017 and 2016, the carrying value of the Parent Company's AFS financial assets amounted to P0.2 million (see Note 13).

Estimation of useful lives of property, plant and equipment

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

The related balances follow (see Note 11):

	September 30, 2017	December 2016
Cost	P 5,856,013,251	P 5,760,982,203
Accumulated depreciation and amortization and impairment losses	3,224,603,061	3,099,450,316
Depreciation and amortization	126,619,806	164,673,670

Estimated useful lives of intangible assets with finite lives

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

Intangible asset with finite useful lives amounted to P 0.84 million and P0.98 million as at September 30, 2017 and 2016, respectively (see Note 12).

Impairment of trademarks and licenses with indefinite lives

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

The carrying amounts of trademarks and license with indefinite useful lives amounted to P 268.9 million and P268.9 million as at September 30, 2017 and 2016, respectively. (see Note 12).

Asset Impairment

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

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

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

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

No indications of further impairment were noted on property, plant and equipment as at September 30, 2017 and 2016 (see Note 11).

Recognition of deferred income tax assets

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

Company will generate sufficient taxable income to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets recognized in the parent company statement of financial position amounted to P52.3 million and P52.3 million as at September 30, 2017 and 2016, respectively (see Note 26)

Estimation of retirement benefits cost and liability

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

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

Retirement liability as at September 30, 2017 and 2016 amounted to P127.1 million and to P127.1 million, respectively (see Note 26).

6. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	P 2,518,606	P 36,614,106
Cash in banks	240,726,752	381,560,384
Short-term placements	340,507,108	340,507,108
	P 583,752,466	P 758,681,598

Cash in banks earn interest at the prevailing bank deposit rates. Interest income earned from cash in banks amounted to P .002 million and P1.5 million in 2017 and 2016, respectively.

Short-term placements are made for varying periods ranging from 30-90 days in 2017 and 2016, and earn effective interests of 7.5% per annum.

As at September 30, 2017 and 2016, cash in banks includes foreign currency-denominated deposits amounting to U.S. \$ 8.6 million or P448.2 million and U.S. \$ 9.37 million or P 468.5 million, respectively (see Note 30).

7. Receivables, net

This account consists of:

	Sept. 30, 2017		2016	
Trade (see Note 19)	P	1,908,709,538	P	1,817,506,678
Notes receivable		42,877,431		46,877,431
Others		6,533,599		6,312,375
		1,958,120,568		1,870,696,484
Less allowance for impairment losses		47,338,055		47,338,055
	P	1,910,782,513	P	1,823,358,429

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

	2017		2016	
1-30 days	P	322,066,908	P	274,059,261
31-90 days		321,916,968		275,678,671
91-120 days		368,917,394		131,094,070
over 120 days		895,808,269		1,136,674,676
	P	1,908,709,539	P	1,817,506,678

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 parent company, 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 trade name "Dr. Edwards" and the entire products manufactured under the trade name (See Note 12). Interest income earned from the note receivable amounted to P1.6 million recognized under "miscellaneous income" in 2017.

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

The Parent Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. Allowance for impairment losses relates to trade receivables. No allowance was provided on other receivables.

Movements in the allowance for impairment losses for the years ended September 30, 2017 and 2016 are as follows:

	2017		2016	
Balance, January 1	P	47,338,055	P	44,628,928
Provision for the year		-		2,709,127
Balance, June	P	47,338,055	P	47,338,055

As at September 30, 2017, the creation of provision for impaired receivables have been included in the 'administrative and selling expenses' in the parent company statement of comprehensive income (see Note 23).

8. Inventories

The account consists of:

	2017	2016
Raw materials	P 446,531,073	P 381,674,877
Finished goods	434,989,889	623,746,074
	P 881,520,962	P 1,005,420,951

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

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

The estimated net realizable values of inventories are as follows:

	2017	2016
Raw materials	P 541,181,152	P 836,859,316
Finished goods	1,176,542,057	914,640,765
	P 1,717,723,209	P 1,751,500,081

9. Other Current Assets

This account consists of:

	2017	2016
Advances to subsidiaries (<i>see Note 19</i>)	P 657,474,949	P 591,874,949
Advances to suppliers and contractors (<i>see Note 19</i>)	138,323,911	164,284,815
Current portion of prepaid marketing and development expense	55,918,826	57,249,900
Bidders and performance bonds	25,524,801	30,669,931
Current portion of advances to officers	27,210,194	33,934,003
Creditable withholding VAT	9,584,539	9,584,539
Creditable withholding tax	1,664,067	1,631,293
	P 915,701,287	P 889,229,430

Advances to subsidiaries refer to advances made by the Parent Company to its wholly owned subsidiaries, Hemotek Renal Center, Inc. and CafeFrance Corp. The terms and conditions relating to related party receivables are further discussed in Note 19.

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.

Prepaid marketing and development expense refers to payments made to client hospitals of the Parent Company 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 Parent Company'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).

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

Advances to officers and employees pertain to housing, car, salary and other loan granted to the Parent Company's officers and employees which are collectible through salary deduction. These are non-interest bearing except for car loan with a 12% per annum and have various maturity dates ranging from 2017 to 2020.

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.

10. Investments in Subsidiaries

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

	Percentages of Direct Ownership		Carrying amounts	
	2017	2016	2017	2016
Café France Corp.	100%	100%	P 350,000,000	P 350,000,000
Hemotek Renal Center, Inc.	100%	100%	250,000,000	250,000,000
			P 600,000,000	P 600,000,000

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

11. Property, Plant and Equipment

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

		2017												
		Construction in Progress	Machineries and Equipment	Building and Improvements	Land and Improvements	Laboratory and Office equipment and Improvements	Transportation Equipment	Total						
Cost														
At beginning of year	P	65,996,809	P	4,708,812,304	P	656,682,589	P	102,786,364	P	206,309,592	P	20,394,549	P	5,760,982,208
Additions		49,687,465		36,305,008		123,705,983		37,469		3,898,231		-		213,634,157
Disposals		(114,309,274)		-		-		-		(2,600,000)		(1,693,840)		(118,603,114)
At end of period		1,375,000		4,745,117,312		780,388,572		102,823,833		210,207,824		18,700,709		5,856,013,251
Accumulated depreciation and amortization														
At beginning of year		-		2,291,419,544		239,490,074		18,177,018		155,385,108		14,525,486		2,718,997,230
Depreciation and amortization		-		104,004,364		13,886,429		509,456		7,047,159		675,497		126,122,904
Disposals		-		-		-		-		(888,333)		(578,729)		(1,467,062)
At end of period		-		2,395,423,908		253,376,503		18,686,474		161,543,934		14,622,254		2,843,653,072
Accumulated impairment losses														
		-		320,807,570		60,142,419		-		-		-		380,949,989
Net Book Value	P	1,375,000	P	2,028,885,835	P	466,869,651	P	84,137,360	P	48,663,890	P	4,078,455	P	2,631,410,191

		2016												
		Construction in Progress	Machineries and Equipment	Building and Improvements	Land and Improvements	Laboratory and Office equipment and Improvements	Transportation Equipment	Total						
Cost														
At beginning of year	P	-	4,679,736,845	P	566,358,004	P	91,340,723	P	194,834,245	P	18,197,413	P	5,550,467,230	
Additions		65,996,809	29,075,459		90,324,585		11,445,641		11,475,344		2,197,135		210,514,973	
At end of year		65,996,809	4,708,812,304		656,682,589		102,786,364		206,309,589		20,394,548		5,760,982,203	
Accumulated depreciation and amortization														
At beginning of year		-	2,155,538,924		223,985,655		17,394,334		143,219,156		13,688,588		2,553,826,657	
Depreciation and amortization		-	135,880,620		15,504,419		782,684		12,165,952		339,996		164,673,670	
At end of year		-	2,291,419,544		239,490,074		18,177,018		155,385,108		14,028,584		2,718,500,327	
Accumulated impairment losses														
At end of year		-	320,807,570		60,142,419		-		-		-		380,949,989	
Net Book Value	P	65,996,809	P	2,096,585,190	P	357,050,097	P	84,609,346	P	50,924,481	P	6,365,964	P	2,661,531,887

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 P126.6 million in Jan.-September 2017 and P164.6 million in 2016, respectively, and are included in the following line items in the parent company statements of comprehensive income:

	Sept. 30, 2017	December 31, 2016
Cost of goods manufactured and sold <i>(see Note 21)</i>	P 118,061,006	P 153,367,544
Operating expenses		
Distribution expenses <i>(see Note 22)</i>	3,622,883	4,714,225
Administrative expenses <i>(see Note 23)</i>	4,400,307	6,047,271
Selling expenses <i>(see Note 23)</i>	535,611	544,630
	P 126,619,806	P 164,673,670

The total cost of fully depreciated property, plant and equipment which are still used amounted to P84.9 million as at September 30, 2017 and 2016.

Property, plant and equipment with carrying amounts of P1,951.7 million were mortgaged as security for long-term loans as at September 30, 2017 and 2016 (see Note 15).

12. Intangible Assets

This account consists of:

	Sept. 30, 2017	2016
Trademarks and licenses	P 268,042,693	P 268,042,693
Patents and rights	846,386	978,425
	P 268,889,079	P 269,021,118

Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Parent Company acquired from Stiefel Laboratories, Inc., and Glaxosmithkline Philippines, Inc. in 2011. During the year, the Group acquired the tradename "Dr. Edwards" from Antech and the entire products manufactured under the trade name (see Note 7).

Movement in trademarks and licenses account as at Sept. 30, 2017 and 2016 are as follows:

	2017	2016
Beginning balance	P 268,042,693	P 223,399,836
Additions during the period (year) <i>(see Note 7)</i>	0	44,642,857
	P 268,042,693	P 268,042,693

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

Movement in patents rights account as at September 30, 2017 and 2016 are as follows:

	Sept. 30, 2017		2016	
Beginning balance	P	978,425	P	1,145,458
Additions during the year		-		13,220
Amortization during the period		(132,039)		(180,253)
	P	846,386	P	978,425

Amortization in 2017 and 2016 is charged to "administrative and selling expenses" in the parent company statement of comprehensive income.

No impairment loss on intangible assets was recognized in 2017 and 2016.

13. Other Non-current Assets

This account consists of:

	2017		2016	
Prepaid marketing and development expense - net of current portion <i>(see Note 9)</i>	P	225,925,853	P	229,501,414
Advances to officers - net of current portion <i>(see Note 9)</i>		23,595,461		27,699,559
Advances to employees - net of current portion <i>(see Note 9)</i>		14,295,266		11,871,240
Deferred input VAT net of current portion <i>(see Note 9)</i>		30,949,940		24,761,174
Available for sale financial assets		200,000		200,000
	P	294,966,521	P	294,033,387

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".

Available-for-sale financial assets are the Parent Company's investment in Casino Español de Manila (CEdM). Investment in Casino Español de Manila represents corporate proprietary shares.

14. Trade Payables

Trade payables consist mainly of unpaid billings from the Parent Company's suppliers of raw materials, distributed products and other services. These are non-interest-bearing and normally settled within one (1) year. As at Sept. 30, 2017 and 2016, trade payables amounted to P 363.4 million and P 401.0 million, respectively.

15. Notes Payable and Long-term Loans

This account consists of:

	Sept. 30, 2017		2016	
Notes payable	P	1,918,690,332	P	1,816,190,334
Long-term loans		434,859,000		629,263,333
	P	2,353,549,332	P	2,445,453,667

Notes Payable

The movements of this account are as follows:

	Sept. 30, 2017		2016	
Balance, beginning of year	P	1,816,190,334	P	1,696,856,333
Availments during the period/ year		750,000,000		1,361,000,000
Payments during the period/year		(647,500,002)		(1,241,665,999)
Balance, end of period/year	P	1,918,690,332	P	1,816,190,334

Notes payable represents unsecured peso-denominated bank loans with annual interest rates ranging from 4.00%-6.99% and 2.83%-6.00% in 2017 and 2016, respectively.

The Parent Company has Omnibus Credit lines in the aggregate amount of about P4.2 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollars), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). The Company's various obligations are secured by the Surety of a Company's key management officer. Availments are for a period of 180 to 360 days, with interest payable/reviewable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

Long-term Loans

The movements of this account are as follows:

	2017		2016	
Balance, beginning of year	P	629,263,333	P	952,024,667
Payments during the period/ year		(194,404,334)		(322,761,333)
	P	434,858,999	P	629,263,334
Current portion		(45,857,000)		(240,261,333)
Balance, end of period /year	P	389,002,001	P	389,002,001

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

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

	2017		2016	
Land	P	152,519,000	P	152,519,000
Building and improvements		189,045,372		189,045,372
Machineries and equipment		1,759,723,152		1,759,723,152
	P	2,101,287,524	P	2,101,287,524

Land is stated at the appraised value as determined by the in-house appraisal of the bank. The titles of real estate properties were not restricted. Building and improvements and machineries and equipment are stated at their carrying values.

Long term loans mature until 2019 and bear interest rates ranging from 3.5%-6.0% in 2017 and 2016. The maturities of long-term loan at nominal values as at September 30 follow:

Description	Interest rates	2017			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	45,857	281,856	107,146	434,859

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	281,856	107,146	629,263

Total interest expenses recognized in the parent company statement of comprehensive income amounted to P42.8 million and P 41.3 million in 2017 and 2016, respectively (see Note 24).

In case of delay in payment 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 Parent Company is up to date in the amortization of its loan and has not committed breaches with loan agreements.

16. Trust Receipts Payable

This account represents trust receipts, which bears interest ranging from 3.5% to 6.0% per annum in 2017 and 2016, 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 Note 15).

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 Sept. 30, 2017 and 2016, outstanding trust receipts payable amounted to P275.9 million and P284.4 million, respectively.

17. Other Current Liabilities

This account consists of:

	2017	2016
VAT payable	P 11,947,393	9,199,566
Withholding taxes	4,730,672	5,367,977
SSS/Pagibig/Philhealth premiums and loans	2,349,413	2,282,568
Deferred output tax	1,441,406	2,158,477
	P 20,468,884	19,008,588

VAT payable represents for VAT on sales of September 2017, net of allowable input taxes, and was remitted to Bureau of Internal Revenue (BIR) in Oct. 2017.

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 Oct. 2017.

SSS/Pag-ibig/Philhealth premiums and loans represent amounts deducted from the officers and staff for the contributions and for those with outstanding loans. The Parent Company remitted to the proper government agency the amounts in Oct. 2017.

Deferred output tax is related to trade receivables for sale of services.

18. Equity

Share Capital

The Company has an authorized share capital of P5,000,000,000 divided into 5,000,000,000 common shares at P1 par value. As at September 30, 2017 and 2016, the number of total common shares subscribed, issued and outstanding totaled to 4,112,140,540 shares for a total amount of P4,112,140,540.

Additional Paid-in Capital

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

Retained Earnings and Dividends

In a meeting held on May 23, 2017, 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, 2016, to all stockholders of record as at June 28, 2017 and payable on July 21, 2017.

In a meeting held on May 31, 2016, the BOD unanimously approved the declaration of cash dividend of P0.05 per share to be taken from the unrestricted retained earnings of the Parent Company as at December 31, 2015, to all stockholders of record as at June 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.

Capital Management

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

The Parent Company monitors its use of capital structure using a gearing ratio of debt to equity which is gross debt divided by total capital. The Parent Company includes within gross debt all loans and borrowings, while equity represents total equity. The Parent Company's strategy is to maintain a debt to equity ratio of not exceeding 80%.

Following is the computation of the Parent Company's debt-to-equity ratio as at Sept. 30, 2017 and 2016:

	2017	2016
Short-term debts		
Trade payables	P 363,423,654	P 401,055,217
Notes payable	1,918,690,332	1,816,190,334
Current portion of long-term loans	45,857,000	240,261,333
Trust receipts payable	275,886,891	284,430,347
Other current liabilities	20,468,884	19,008,588
	2,624,326,761	2,760,945,819
Long-term debts		
Long-term loans-net of current portion	389,002,000	389,002,000
Total debt (a)	P 3,013,328,761	P 3,149,947,819
Equity (b)	P 4,966,295,937	P 5,002,435,644
Debt-to-equity	61%	63%

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

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

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

19. Related Party Transactions

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

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

September 30, 2017				
Related Party Transactions	Nature	Amount Volume	Outstanding Balance	Terms and Conditions
Parent Company				
US Automotive Co., Inc. (See Notes 30, 33)	Rent expense Payments	14.8 million 14.8 million	0.00	Lease is for one (1) year period and renewable annually upon mutual agreement of the parties
Wholly-owned subsidiaries				
Hemotek Renal Center, Inc. (See Notes 7, 20) (See Note 9)	Sales Advances	30.4 million -	232.3 million 30.0 million	Same terms and conditions of all the customers Interest bearing, settlement in cash unsecured, unimpaired with no fixed terms of repayments
CafeFrance Corp. (See Note 9)	Sales Advances	0.481 million 65.0 million	5.1 million 603.4 million	Same terms and conditions of all the customers Interest bearing, settlement in cash unsecured, unimpaired with no fixed terms of repayments
Affiliated Companies				
Phil. Trust Company (See Note 6)	Cash in bank (net) Interest Income	55.8 million 0.794 million	55.8 million 0.794 million	Earn interest at the prevailing bank deposit rates, unimpaired.
Manila Bulletin Publishing Co. (See Note 23)	Advertising Services Payments	0.6 million (3.7 million)	0.877 million	Advertising rates charged are the same as charged to regular customers; unsecured and with a 30-day credit term
Manila Hotel (See Note 23)	Hotel Services	0.81 million (0.81 million)	- -	Hotel charges are the same as charged to other regular customers
Philippine Label Pack Corp. (See Note 21)	Purchase of labels Payments	0.26 million (0.26 million)	- -	Same terms and conditions as transacti with other supplies of the Company. Purchase price depends on the prices submitted by various suppliers

2016				
Related Party	Nature	Amount/ Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc. (See Notes 30, 33)	Rent expense Payments	19.8 million (19.8 million)	-	Lease term is for one (1) year period and renewable annually upon mutual agreement of the parties
Wholly-owned subsidiaries				
Hemotek Renal, Inc. (See Note 7, 20)	Sales	56.2 million	198.8 million	Same terms and conditions with ordinary customers Unsecured; Unimpaired; and with 30-120 day credit term
(See Note 9)	Advances	-	30 million	Non-interest bearing, settlement in cash Unsecured; Unimpaired; with no fixed terms of repayments
CafeFrance Corp. (See Note 7, 20)	Sales	0.2 million	4.5 million	Same terms and conditions with ordinary customers Unsecured; Unimpaired; and with 30-120 day credit term
(See Note 9)	Advances	68.3 million	561.8 million	Non-interest bearing, settlement in cash Unsecured; Unimpaired; with no fixed terms of repayments
Affiliated Companies				
Philtrust Bank (Philippine Trust Company) (See Note 6)	Cash in bank, net deposit Interest income	95.1 million 5.9 million	95.1 million 5.9 million	Earn interest at the prevailing bank deposit rates; unimpaired;
Manila Bulletin Publishing Corp. (See Note 23)	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 23)	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 21)	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	50 million	50 million	Cash advances, interest bearing, to be settled in cash, unimpaired
Key management personnel				
Various officers (See Notes 9)	Net Advances	1.0 million	19.15 million	Non-interest bearing, payable through salary deductions

20. Net Sales

This account consists of:

	2017		2016
Sale of goods	P 2,557,316,223	P	2,333,138,982
Sale of services	43,812,756		46,336,472
	P 2,601,128,979	P	2,379,475,454

Details of the sales are shown below:

	2017		2016
Local sales (<i>see Note 19</i>)	P 2,343,883,824	P	2,162,313,304
Export sales			
ASEAN	212,468,669		176,383,492
Other Asian countries	20,282,352		17,243,931
Others	24,494,133		23,534,727
	257,245,154		217,162,150
	P 2,601,128,979	P	2,379,475,454

The amounts above are net of sales returns and sales discounts for prompt payments and volume discounts which the Company is extending to customers in its ordinary course of business. Sales returns and discounts amounted to P16.5 million and P31.5 million in 2017 and 2016, respectively.

21. Cost of Goods Manufactured and Sold

This account consists of:

	2017		2016
Raw materials used	P 684,411,791	P	603,341,559
Direct labor	90,077,301		85,720,982
Manufacturing overhead	500,714,897		478,987,018
Cost of goods manufactured	1,275,203,989		1,168,049,559
Finished goods			
Beginning of year	623,746,074		739,406,408
Purchases	229,076,805		163,758,297
End of year (<i>see Note 8</i>)	(434,989,889)		(566,784,318)
	P 1,693,036,979	P	1,504,429,946

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

	2017		2016
Beginning of year	P 381,674,877	P	262,183,834
Purchases	749,267,987		586,382,498
Raw materials available for use	1,130,942,864		848,566,332
End of year/period	(446,531,073)		(245,224,773)
	P 684,411,791	P	603,341,559

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

	2017		2016		
Repairs and maintenance	P	P	110,386,593	P	126,403,690
Depreciation and amortization (see Note 11)			118,061,006		115,025,659
Light and water			107,529,247		90,238,452
Gas and oil			62,608,119		53,632,010
Salaries and wages (see Note 27)			31,372,326		33,714,097
Contractual services			19,039,964		13,291,469
Laboratory supplies			13,606,872		11,153,298
Employee benefits			8,976,927		7,646,618
Production supplies			4,350,592		5,996,111
SSS/MED/ECC/Pagibig Contributions			4,407,714		4,371,913
Transportation and travel			7,204,235		3,767,319
Insurance			459,995		3,216,573
Representation and entertainment			1,959,693		2,874,054
Taxes and licenses			2,480,439		2,621,468
Security services			1,716,702		1,918,642
Research and development			764,356		144,910
Rentals (see Note 28)			3,305,820		781,012
Security agency fee			391,458		437,927
Office and warehouse supplies			737,454		577,230
Postage, telephone and telegram			333,454		336,957
Professional fees			300,000		270,000
Samples			0		5,605
Training seminars			113,586		90,513
Subscription dues			12,100		11,000
Miscellaneous			596,245		460,491
			P 500,714,897	P	478,987,018

22. Distribution Expenses

This account consists of:

	2017		2016		
Delivery expense	P	P	120,116,308	P	129,068,874
Rentals (see Note 28)			37,456,126		28,832,250
Salaries and wages (see Note 27)			13,592,638		13,553,791
Taxes and licenses			14,415,207		12,466,695
Depreciation and amortization (see Note 11)			3,622,883		3,535,669
Repairs and maintenance			2,717,252		2,366,709
Light and water			2,978,593		2,421,059
Office/warehouse supplies			1,533,949		1,033,873
Transportation and travelling			911,267		953,733
Postage and telephone			886,644		932,624
SSS/Medical/ECC/HDMF			890,952		911,401
Insurance			1,166,687		710,319
Representation and entertainment			336,842		294,574
Miscellaneous			3,128,378		3,171,648
			P 203,753,726	P	200,253,219

23. Administrative and Selling Expenses

This account consists of:

		2017		2016
Administrative expenses	P	94,850,748	P	102,819,501
Selling expenses		266,651,714		286,629,282
	P	361,502,461	P	389,448,783

The details of administrative expenses are as follow:

		2017		2016
Salaries and commissions (see Note 27)	P P	21,270,624	P	20,788,308
Taxes and licenses		13,140,557		24,161,508
Rentals (see Note 28)		14,866,830		14,866,830
Professional fees		10,797,056		10,389,100
Representation and entertainment		8,260,305		8,528,949
Depreciation and amortization (see Note 11)		4,400,308		4,535,453
Light and water		3,227,218		4,651,903
Deliveries		5,186,894		4,497,991
Transportation and travelling		4,554,819		3,395,722
Office supplies		2,441,720		1,976,184
Postage and telephone		1,204,692		1,325,999
Bank charges		64,960		956,493
SSS/Medical/ECC/HDMF		856,969		883,729
Repairs and maintenance		624,444		763,138
Subscription dues		771,765		698,715
Insurance		357,442		597,158
Miscellaneous		2,824,144	-	197,681
	P	94,850,748	P	102,819,501

The details of selling expenses are as follow:

		2017		2016
Marketing and development expense (see Note 9)	P P	148,077,460	P	175,367,082
Salaries and commissions (see note 27)		65,144,379		60,912,012
Transportation and travelling		28,069,098		29,083,868
Representation and entertainment		6,200,383		4,900,227
SSS/Medical/ECC/HDMF		3,450,929		3,257,159
Training and seminars		5,115,326		3,971,408
Postage and telephone		1,944,387		2,041,292
Deliveries		2,169,984		1,418,767
Insurance		1,121,402		1,276,356
Office supplies		562,575		552,487
Depreciation and amortization (see Note 11)		670,801		543,663
Repairs and maintenance		389,529		279,047
Rentals		178,571		-
Taxes and licenses		100,595		10,088
Miscellaneous		3,456,293		3,015,826
	P	266,651,714	P	286,629,282

24. Interest Expense

This account consists of interests on loans as follows:

	2017		2016
Short-term loans and payables	64,609,529	P	60,746,410
Long-term loans	24,550,384		30,299,937
	P 89,159,913	P	91,046,347

No amount of interest was capitalized in 2017 and 2016.

25. Miscellaneous Income and Expense

This account consists of:

	2017		2016
Interest on car/housing loans	1,036,781	P	1,101,053
Misc. Income	5,737,270		3,992,384
Misc. Expense	-		(6,844,875)
	P 6,774,051		(1,751,438)

Pertain to income from sale of boxes, stability testing, barcode, interest from notes receivable, interest from advances to subsidiaries, etc.

Miscellaneous Expense

Miscellaneous expense for Jan.- September 2016 pertains to miscellaneous charges for penalty of 2012, and 2013 BIR audit for the Parent Company's income tax, value added tax, expanded withholding tax and documentary stamp tax

26. Research and Development Cost

Research and development (R&D) expenditures amounted to P 14.3 million and P 11.3 million in 2017 and 2016, respectively and were recognized as an expense during the period consist of materials, research cost, laboratory supplies and salary of R&D staff. These are shown in manufacturing overhead and marketing and development expense account under administrative and selling expenses.

27. Retirement Liability

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

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

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

	2016	2015
Current service cost	P 8,833,082	P 8,606,409
Net interest cost	5,658,750	4,212,357
	P 14,491,832	P 12,818,766

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

	2016	2015
Cost of goods sold and manufactured	P 5,950,845	P 5,409,450
Distribution expenses	859,812	754,517
Administrative and selling expenses	7,681,175	6,654,799
	P 14,491,832	P 12,818,766

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

	2016	2015
Balance at beginning of year	P 117,066,411	P 93,816,421
Current service cost	8,833,082	8,606,409
Net interest cost	5,658,750	4,212,357
Benefits paid	(4,426,519)	(10,819,659)
Actuarial loss/(gain) due to:		
Experience adjustments	-	21,250,883
Balance at end of year	P 127,131,724	P 117,066,411

The retirement liability is as follows:

	2016	2015
Present value of benefit obligation	P 127,131,724	P 117,066,411
Fair value of plan assets	-	-
Liabilities recognized in the statements of financial position	P 127,131,724	P 117,066,411

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

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

	2016	2015
Balance at beginning of year	P 117,066,411	P 93,816,421
Total retirement expense	14,491,832	12,818,766
Total amount recognized in OCI	-	21,250,883
Actual contributions	-	-
Benefits paid from the Company operating funds	(4,426,519)	(10,819,659)
Balance at end of year	P 127,131,724	P 117,066,411

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

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

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

	2016	2015
Discount rate	4.84%	4.84%
Salary increase rate	3.00%	3.00%

The assumptions regarding future mortality rates are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females. In 2016 and 2015, Parent Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

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

Description	Increase/decrease in basis points	Impact on defined benefit obligation Increase (decrease)
Discount rates	+1.00%	P 6,150,014
	-1.00%	(5,965,514)
Salary increase rate	+1.00%	3,811,992
	-1.00%	(3,697,633)

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

28. Income Taxes

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

The income tax for the period ended September 30, 2017 and 2016 were estimates and unaudited.

29. Commitments

Unused letters of credit

The Parent Company's unused letters of credit amounted to approximately P168.2 million in 2017 and P193.4 million in 2016.

Operating Lease Commitments

The Parent Company leases a number of branches and warehouses under operating leases. The leases typically run for a period of 1 to 5 years, with the option to renew the lease after that date. The agreement of the parties does not have escalation rate for future rental payables. The Parent Company 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 parent company statements of comprehensive income amounted to P 52.5 million and P 43.7 million, respectively.

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

	2017	2016
Cost of goods manufactured and sold (<i>see Note 21</i>)	P 3,305,820	P 781,012
Distribution expense (<i>see Note 22</i>)	37,456,126	28,832,250
Administrative and selling expense (<i>see Notes 19 and 23</i>)	15,045,401	14,866,830
	P 55,807,347	P 44,480,092

30. Contingencies

Claims of the Parent Company

The Parent Company has a total forty-one (41) cases which were filed by the Parent Company 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 Parent Company has pending accountabilities.

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

Claims against the Parent Company

The Parent Company has a case filed by a former employee in the Labor Relation Commission which as at September 30, 2017 has not yet been decided and finalized.

31. Earnings Per Share (EPS)

Computation of basic and diluted EPS is shown below:

	2017	2016
Net income	P 169,467,313	P 135,461,745
Divided by the weighted average number of shares	4,112,140,540	4,112,140,540
	P 0.04	P 0.03

32. Financial Risk Management Objectives and Policies

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

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

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

Credit Risk

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

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

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

	2017	2016
Cash in banks	P 240,726,752	P 381,560,384
Short-term placements	340,507,108	340,507,108
Receivables, net	1,910,782,513	1,823,358,429
Other current assets		
Advances to subsidiaries	657,474,949	591,874,949
Advances to suppliers and contractors	138,323,911	164,284,815
Bidders and performance bonds	25,524,801	30,669,931
Advances to officers	19,047,135	21,455,739
Advances to employees	8,163,059	5,338,174
Other non-current assets		
Advances to officers	23,595,461	27,699,559
Advances to employees	14,295,266	11,871,240
Available-for-sale financial assets	200,000	200,000
	P 3,378,640,955	P 3,398,820,327

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

The table below shows the credit quality by class of financial assets as of September 30, 2017 and 2016, gross of allowance for impairment losses.

	2017									
	Neither Past Due Nor Impaired						Past Due But not Impaired	Past Due And Impaired	Total	
	High Grade	Standard Grade	Substandard Grade							
Loans and Receivable										
Cash in banks	P 243,245,358	P -	P -	P -	P -	P -	P -	P -	P 243,245,358	
Short-term placements	340,507,108	-	-	-	-	-	-	-	340,507,108	
Receivables	1,497,071,740	121,513,837	142,811,838	128,530,654	18,781,470	-	-	-	1,908,709,539	
Other current assets										
Advances to subsidiaries	657,474,949	-	-	-	-	-	-	-	657,474,949	
Advances to suppliers and contractors	138,323,911	-	-	-	-	-	-	-	138,323,911	
Bidders and performance bonds	25,524,801	-	-	-	-	-	-	-	25,524,801	
Advances to officers	19,047,135	-	-	-	-	-	-	-	19,047,135	
Advances to employees	8,163,059	-	-	-	-	-	-	-	8,163,059	
Other non-current assets										
Advance to officers	23,595,461	-	-	-	-	-	-	-	23,595,461	
Advances to employees	14,295,266	-	-	-	-	-	-	-	14,295,266	
Available-for-sale financial assets	200,000	-	-	-	-	-	-	-	200,000	
	P 2,967,448,788	P 121,513,837	P 142,811,838	P 128,530,654	P 18,781,470	P -	P -	P -	P 3,379,086,587	

		2016								
		Neither Past Due Nor Impaired			Past Due But not Impaired		Past Due And Impaired			
		High Grade	Standard Grade	Substandard Grade					Total	
Loans and Receivable										
Cash in banks	P	381,560,384	P	-	P	-	P	-	P	381,560,384
Short-term placements		340,507,108		-		-		-		340,507,108
Receivables		1,104,013,357		290,006,447		165,548,763		292,789,862		1,870,696,484
Other current assets										
Advances to subsidiaries		591,874,949		-		-		-		591,874,949
Advances to suppliers and contractors		164,284,815		-		-		-		164,284,815
Bidders and performance bonds										
Advances to officers		30,669,931		-		-		-		30,669,931
Advances to employees		21,455,739		-		-		-		21,455,739
Other non-current assets		5,338,174		-		-		-		5,338,174
Advance to officers		27,699,559		-		-		-		27,699,559
Advances to employees		11,871,240		-		-		-		11,871,240
Available-for-sale financial assets		200,000		-		-		-		200,000
	P	2,679,475,256	P	290,006,447	P	165,548,763	P	292,789,862	P	18,338,055
				P		3,446,158,382				

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

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

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

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

As at September 30, 2017, the aging analysis per class of financial assets is as follows:

		2017						
		Total	Neither past due nor impaired	Past due but not impaired		Past due or individually impaired		
				0-120 days	over 120 days			
Loans and Receivables								
Cash in banks	P	240,726,752	P	-	P	-	P	-
Short-term placements		340,507,108						-
Receivables		1,908,709,539		1,761,397,415		25,706,131		102,824,523
Other current assets								
Advances to subsidiaries		657,474,949		-		-		-
Advances to suppliers and contractors		138,323,911		-		-		-
Bidders and performance bonds								
Advances to officers		25,524,801		-		-		-
Advances to employees		19,047,135		-		-		-
Other non-current assets		8,163,059		-		-		-
Advances to officers		23,595,461		-		-		-
Advances to employees		14,295,266		-		-		-
Available-for-sale financial assets		200,000		200,000		-		-
	P	3,376,567,981	P	1,761,597,415	P	25,706,131	P	102,824,523
				P		18,781,470		

Liquidity Risk

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

The table below summarizes the maturity profile of the Parent Company's financial liabilities as at September 30, 2017 and 2016 based on contractual undiscounted payments (principal and interest).

		2017				
		Total Carrying Value	On demand	Contractual undiscounted payments		
				Less than 1 year	1 to 5 years	> 5 years
Trade payables	P	363,423,654	290,738,923	P 72,684,731	P -	P -
Notes payable		1,918,690,332	-	1,918,690,332	-	-
Long-term (including current portion)		434,859,000	-	45,857,000	389,002,000	-
Trust receipts payable		275,886,891	-	-	-	-
Other current liabilities Accrued expenses		20,468,884	20,468,884	-	-	-

		2016				
		Total Carrying Value	On demand	Contractual undiscounted payments		
				Less than 1 year	1 to 5 years	> 5 years
Trade payables	P	401,055,217	P -	P 401,055,217	P -	P -
Notes payable		1,816,190,332	-	1,816,190,332	-	-
Long-term (including current portion)		629,263,333	-	240,261,333	389,002,000	-
Trust receipts payable		284,430,347	-	284,430,347	-	-
Other current liabilities Accrued expenses		19,008,588	-	19,008,588	-	-

Interest Rate Risk

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

As at September 30, 2017 and 2016, the Parent Company's exposure to interest rate risk pertains to the fluctuations in interest rates of its interest bearing loans and borrowings. The Parent Company manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

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

		2017					
Description	Interest rates	P	Within 1 year	More than 1 year but less than 3 years		More than 3 years	Total
				P	P		
<i>(in thousands)</i>							
Notes payable	3.5%- 4.75%	P 1,918,690	P -	P -	P -	P 1,918,690	
Trust receipts payable	3.5%-4.75%	275,887	-	-	-	275,887	
Long-term loans	3.6%-5%	45,857	281,856	107,146	434,859		
		P 2,240,434	P 281,856	P 107,146	P 2,629,436		

		2016					
Description	Interest rates	P	Within 1 year	More than 1 year but less than 3 years		More than 3 years	Total
				P	P		
<i>(in thousands)</i>							
Notes payable	3.5%- 4.75%	P 1,816,190	P -	P -	P -	P 1,816,190	
Trust receipts payable	3.5%-4.75%	284,430	-	-	-	284,430	
Long-term loans	3.6%-5%	240,261	281,856	107,146	629,263		
		P 2,340,881	P 281,856	P 107,146	P 2,729,883		

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

2017			
Description	Increase/decrease in basis points	Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)
Long term loans	+100bps	P126,618	P88,633
	-100bps	(126,618)	(88,633)

2016			
Description	Increase/decrease in basis points	Effect on income before income tax Increase (decrease)	Effect on equity Increase (decrease)
Long term loans	+100bps	P126,618	P88,633
	-100bps	(126,618)	(88,633)

Price Risk

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

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

Foreign Exchange Risk

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

The Parent Company holds foreign currency-denominated deposits and short-term placements amounting to P 448,178,314 or U.S. \$ 8,623,789 as at September 30, 2017 and to P 468,500,777 or U.S. \$9,386,912 as at December 31, 2016, which can be affected by fluctuations of foreign currency exchange.

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

	2017		2016	
	Foreign currency	Peso Conversion	Foreign currency	Peso Conversion
US Dollar	4,536,214	P 235,747,025	5,403,054	P 269,666,425
Euro	229,502	13,171,108	296,504	15,441,928
Singapore Dollar	24,546	895,690	24,851	853,380
ZAR	44,746,428	174,645,310	44,299,680	158,149,857
RUB	17,996,351	23,719,191	18,504,694	24,389,187
	67,533,041	P 448,178,324	68,528,783	P 468,500,777

The Parent Company also has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Parent Company's functional currency. For years 2017 and 2016, approximately 10% and 8%, respectively of the Parent Company's total sales are denominated in currencies other than the functional currency.

The table below summarizes the Parent Company's exposure to foreign exchange risk as of September 30:

	2017		2016	
	USD	Peso Equivalent	USD	Peso Equivalent
Cash in banks	\$8,623,789	P 448,178,324	\$9,386,912	P 468,500,777
Exchange rate		51.97		49.91

33. Financial Assets and Liabilities

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

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
<i>Loans and receivables</i>				
Cash in banks	P 240,726,752	P 240,726,752	P 381,560,384	P 381,560,384
Short-term placements	340,507,108	340,507,108	340,507,108	340,507,108
Receivables, net	1,910,782,513	1,910,782,513	1,823,358,429	1,823,358,429
<i>Other current assets</i>				
Advances to subsidiaries	657,474,949	657,474,949	591,874,949	591,874,949
Advances to suppliers and contractors	138,323,911	138,323,911	164,284,815	164,284,815
Bidders and performance bonds	25,524,801	25,524,801	30,669,931	30,669,931
Advances to officers	19,047,135	19,047,135	21,455,739	21,455,739
Advances to employees	8,163,059	8,163,059	5,338,174	5,338,174
<i>Other non-current assets</i>				
Advances to officers	23,595,461	23,595,461	27,699,559	27,699,559
Advances to employees	14,295,266	14,295,266	11,871,240	11,871,240
Available-for-sale financial assets	200,000	200,000	200,000	200,000
	P 3,378,640,955	P 3,378,640,955	P 3,398,820,329	P 3,398,820,329
Financial Liabilities:				
<i>Other financial liabilities</i>				
Trade payables	P 363,423,654	P 363,423,654	P 401,055,217	P 401,055,217
Notes payable	1,918,690,332	1,918,690,332	1,816,190,334	1,816,190,334
Trust receipts payable	275,886,891	275,886,891	284,430,347	284,430,347
Long-term loans	434,859,000	434,859,000	629,263,333	629,263,333
<i>Other current liabilities</i>				
Accrued liabilities	20,468,884	20,468,884	19,008,588	19,008,588
	P 3,013,328,761	P 3,013,328,761	P 3,149,947,819	P 3,149,947,819

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

The fair values of cash in banks, short-term placements, receivables, net, advances to subsidiaries, suppliers and contractors, to officers, to employees, bidders and performance bonds, trade payables and other non-current liabilities are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

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

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

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

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

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

Fair Value Measurement Hierarchy

As at September 30, 2017 and 2016, the Parent Company has no financial instruments measured at fair value.

34. Other Matters

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

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