

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED  
CORPORATION

Canlubang Industrial Estate, Bo. Pittland  
4025 Cabuyao, Laguna

April 29, 2011

***MS. JANET A. ENCARNACION***

Head, Disclosure Department

**PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange Centre, Exchange Road  
Ortigas Center, Pasig City, Metro Manila

Dear ***Ms. Encarnacion:***

Please find attached Manchester International Holdings Unlimited Corporation's (formerly Interphil Laboratories, Inc.) SEC 17A for the year 2010.

Thank you.

Very truly yours,



**CAROLINE O. VILLASERAN**

# COVER SHEET

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SEC Registration Number

M	A	N	C	H	E	S	T	E	R	I	N	T	E	R	N	A	T	I	O	N	A	L	H	O	L	D	I	N	G	S
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I	N	C	)																											

(Company's Full Name)

C	a	n	l	u	b	a	n	g	I	n	d	u	s	t	r	i	a	l	E	s	t	a	t	e	,	B	o	.
P	i	t	t	l	a	n	d	,	C	a	b	u	y	a	o	,	L	a	g	u	n	a						

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

<b>Carmen T. Francisco</b>
----------------------------

(Contact Person)

(049) 549-23-45 to 49
(049) 549-30-96 to 98

(Company Telephone Number)

1	2	3	1
<i>Month</i>	<i>Day</i>		
(Fiscal Year)			

A	A	C	F	S
(Form Type)				

0	6	1	1
<i>Month</i>	<i>Day</i>		
(Annual Meeting)			

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(Secondary License Type, If Applicable)

<b>Disclosures Department</b>
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Dept. Requiring this Doc.

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Amended Articles Number/Section

<b>533</b>
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Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign



SEC Number **58648**

File Number \_\_\_\_\_

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**MANCHESTER INTERNATIONAL HOLDINGS**  
**UNLIMITED CORP AND SUBSIDIARIES**  
**(formerly INTERPHIL LABORATORIES, INC.)**

(Company's Full Name)

**CANLUBANG INDUSTRIAL ESTATE, BO. PITTLAND**  
**4025 CABUYAO, LAGUNA**

(Company's Address)

**(049) 549-23-45 to 49, 549-30-96 to 98**

(Telephone Number)

**DECEMBER 31**

(Fiscal Year Ending)

(month & day)

**FORM 17-A**

Form Type

\_\_\_\_\_  
Amendment Designation (if applicable)

**December 31, 2010**

Period Ended Date

\_\_\_\_\_  
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2010**
2. SEC Identification Number **58648**      3. BIR Tax Identification No. **121-000-410-840**
4. Exact name of issuer as specified in its charter **Manchester International Holdings Unlimited Corp (formerly Interphil Laboratories, Inc.)**
5. **Philippines**      6.  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. **Canlubang Industrial Estate, Bo. Pittland**      **4025**  
**4025 Cabuyao, Laguna**      Postal Code  
Address of principal office
8. **(049) 549-23-45 to 49, 549-30-96 to 98**  
Issuer's telephone number, including area code
9. N/A  
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 Issued And Amount of Debt Outstanding As of December 31, 2010	Treasury Shares As of December 31, 2010	Outstanding Common Stock As of December 31, 2010
<b>Common Class A</b>	<b><u>337,500,000</u></b>	<b><u>64,803,449</u></b>	<b><u>272,696,551</u></b>
<b>Common Class B</b>	<b><u>225,000,000</u></b>	<b><u>85,631,955</u></b>	<b><u>139,368,045</u></b>
<b>TOTAL</b>	<b><u>562,500,000</u></b>	<b><u>150,435,404</u></b>	<b><u>412,064,596</u></b>

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

Yes       No

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

Philippine Stock Exchange

Common, Class A & B



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 12 months (or for such shorter period that the registrant was required to file such reports);

Yes  No

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

Yes  No

13. Aggregate market value of the voting stock held by non-affiliates of the registrant  
₱44,616,017.00.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS.**

14. Check whether the registrant has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the SEC.

Yes  No

**Not applicable.**

**DOCUMENTS INCORPORATED BY REFERENCE**

15. No documents were incorporated by reference to any report in this SEC Form 17-A.

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP AND SUBSIDIARIES**  
**(formerly INTERPHIL LABORATORIES, INC.)**  
Supplementary Schedules Required  
By the Securities and Exchange Commission  
As of end for the Year Ended December 31, 2010

**TABLE OF CONTENTS**

	<u>Page No.</u>
<b>PART I - BUSINESS AND GENERAL INFORMATION</b>	
Item 1 Business	1-8
Item 2 Properties	8-9
Item 3 Legal Proceedings Affecting the Registrant or its Affiliates	9-10
Item 4 Submission of Matters to a Vote of Security Holders	10
<b>PART II - OPERATIONAL AND FINANCIAL INFORMATION</b>	
Item 5 Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters	11-12
Item 6 Management's Discussion and Analysis or Plan of Operation	12-24
Item 7 Financial Statements	25
Item 8 Information of Independent Accountant and Other Related Matters	25
<b>PART III - CONTROL AND COMPENSATION INFORMATION</b>	
Item 9 Directors and Executive Officers of the Issuer	25-27
Item 10 Executive Compensation	28-29
Item 11 Security Ownership of Certain Beneficial Owners and Management	29-30
Item 12 Certain Relationships and Related Transactions	30
<b>PART IV - CORPORATE GOVERNANCE</b>	30
<b>PART V - EXHIBITS AND SCHEDULES</b>	
Item 13 a. Exhibits	30
b. Reports on SEC Form 17-C (Current Report)	31-32
<b>SIGNATURES</b>	33
<b>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES</b>	34
<b>INDEX TO EXHIBITS</b>	86

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

Manchester International Holdings Unlimited Corporation (Manchester), (formerly Interphil Laboratories, Inc.) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 6, 1974 primarily to manufacture, process and package drugs, chemicals, pharmaceuticals and veterinary products.

During the annual shareholders and board of directors meeting of the company held on July 10, 2008, the Board approved several resolutions one of which is the creation of two new wholly-owned subsidiaries under Interphil (now Manchester). The two companies are First Pharma Industries Inc. (later renamed to Interphil Laboratories, Inc.), a toll manufacturing company, and Lancashire Realty Holding Corp (Lancashire), a realty company.

Likewise, a resolution was also passed to change the name of:

1. Interphil Laboratories, Inc. to Manchester International Holdings Unlimited Corporation
2. First Pharma Industries Phil. Inc to Interphil Laboratories, Inc. and
3. Change in primary purpose of Manchester International Holdings Unlimited Corporation

The change in name, primary purpose and transfer of assets of Manchester (formerly Interphil) was approved by SEC only on November 21, 2008.

The operating assets of Manchester (formerly Interphil) were moved to Interphil (formerly First Pharma) and the real estate assets to Lancashire.

As of 31<sup>st</sup> December 2010, the Company's consolidated total assets stood at ₱1,367,352,455. During the year 2010, consolidated revenues of the Company amounted to ₱1,832,976,274.

The Company does not engage in any activities other than and in connection with the holding of shares of Interphil Laboratories, Inc. and Lancashire Realty Holding Corp. Manchester (formerly Interphil) also continues to believe in the prospects of the healthcare manufacturing business and real estate.

Interphil Laboratories, Inc constitutes the Company's continuing presence in the manufacturing business. Even when faced with a lot of challenges within the industry, Interphil Laboratories, Inc gives the Company great confidence for the coming years, as it expands to new export markets and secure additional local clients.

As markets grow more challenging, the Company implements a strategic mindset that values people, synergy and quality at all times.

Manchester International Holdings Unlimited Corp has the following direct subsidiaries as of December 31, 2010:

Company	Percentage of Ownership	Business	Jurisdiction
Interphil Laboratories Inc. (formerly First Pharma)	100%	Toll Manufacturing	Philippines
Lancashire Realty Holding Corp	100%	Realty Holding	Philippines

**Customers/Foreign Sales.** Manchester's (formerly Interphil's) core businesses conducted through its subsidiaries can be grouped in two categories as follows: toll manufacturing of pharmaceutical products and real estate business.

**Product Lines.** As a holding company, Manchester (formerly Interphil) does not have any product line to date.

**Competition.** With the mergers of pharmaceuticals that transpired in 2010, Manchester (formerly Interphil) will face stiffer competition with other holding companies that engage in the manufacture of healthcare products. Manchester (formerly Interphil) will also face competition in the real estate development business despite a projected strong demand in 2011.

**Suppliers.** As a holding company, Manchester (formerly Interphil) does not rely on the availability of certain raw materials or supplies. Purchase of raw material requirements are made at the subsidiary level.

**Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements.** As a holding company, Manchester (formerly Interphil) does not own or possess patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements with other companies.

**License to Operate.** The Company being a holding company is not required to get any License to Operate.

**Research and Development.** Manchester (formerly Interphil), as a holding company does not allocate specific amounts for research and development.

**Environmental Laws.** In the normal course of business as a holding company, Manchester (formerly Interphil) is not subject to any environmental laws.

**Related Party Transactions.** Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- a. The Company, in the normal conduct of business, manufactures and processes, for agreed tolling fees at prevailing prices, pharmaceutical products for Zuellig Pharma Corporation (ZPC, a stockholder up to November 2006) and GPI (a joint venture entity with other joint venturers). Tolling and other service fees amounted to ₱40.4 million in 2010, ₱53.0 million in 2009 and ₱68.2 million in 2008. Related receivables, included under "Trade and other receivables" account in the consolidated balance sheets, amounted to ₱17.3 million and ₱19.3 million as of December 31, 2010 and 2009, respectively.
- b. The Company has renewable lease agreements with ZPC covering its Canlubang and Sucat warehouses, and Sucat manufacturing plant. The lease agreement for the Canlubang warehouse is from February 2001 to February 2006. The lease agreement for the Canlubang warehouse expired in 1999 while the lease agreement for the Sucat manufacturing plant was terminated on October 15, 2009. The lease agreements are deemed renewed unless terminated by either party. The aggregate minimum annual rental under these lease agreements amounts to ₱29.6 million. Lease rentals charged to operations amounted to ₱29.6 million in 2010, ₱29.1 million in 2009 and ₱31.4 million in 2008. The Company has no outstanding liability related to these agreements as of December 31, 2010 and 2009.
- c. The Company leases out a portion of its Canlubang plant facilities to GPI. The original term of the lease is from May 1, 1998 to April 30, 2003, but has been subsequently renewed on a yearly basis. Rent income included under "Other income" account in the consolidated statements of comprehensive income amounted to ₱3.6 million in 2010, ₱0.4 million in 2009, and ₱1.4 million in 2008. The related rent receivable which is included under "Trade and other receivables" account in the consolidated balance sheets, amounted to ₱0.5 million and ₱18.7 million as of December 31, 2010 and 2009, respectively.
- d. The Company obtains insurance coverage, at prevailing prices, for its property, plant and equipment through Accette Insurance Brokerage (Accette), an affiliate. Insurance expense amounted to ₱6.6 million in 2010, ₱6.3 million in 2009, and ₱6.9 million in 2008.
- e. Compensation of key management personnel of the Company are as follows:

	2010	2009	2008
Short-term employee benefits	₱70,657,037	₱68,880,323	₱74,263,815
Post-employment benefits:			
Retirement benefits	873,237	810,991	783,300
Long-term sick leave benefits	589,541	156,300	695,250
	<b>₱72,119,815</b>	<b>₱69,847,614</b>	<b>₱75,742,365</b>

- f. ZPC, Accette and the Company have common ultimate stockholders.

**Employees.** As of December 31, 2010, the Company has no full-time employees and anticipates no employee within the ensuing year. There is no collective bargaining agreement.

**Major Business Risks.** The Company's business deals mainly with the owning of shares of other companies, thereby there is no more risks of labor, business strife and terrorism. The foregoing discussion on financial risks is applicable only to its consolidated business as the Company does not have any financial instruments other than Cash.

#### **Item 1. Financial risks**

The Company's principal financial instruments comprise cash and cash equivalents and notes payable. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade and other receivables, available-for-sale financial assets and trade and other payables which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and market risk (interest rate risk and foreign exchange risk). The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance due to unpredictability of financial markets.

Risk management is carried out by the Company's Finance Department under policies approved by the BOD. The Company's Finance Department identifies and evaluates financial risks in coordination with the Company's operating units. The BOD approves formal policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

##### Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company manages credit risk by following strict credit policies and procedures in granting of credit to customers and monitoring of schedule of aged receivables.

The Company trades only with recognized, creditworthy third parties. It is the policy of the Company that all customers who wish to trade on credit terms are subjected to credit verification procedures. Receivables from customers are usually settled after approved credit terms. Trade and other receivables are monitored on an on-going basis with the result that the exposure of the Company to bad debts is not significant. The Company does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from other financial assets of the Company, which mainly composed of cash and cash equivalents, and receivables from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no significant concentration of credit risk in the Company.

##### Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Company will encounter difficulty in meeting obligations associated with financial difficulties.

The objective of the Company is to maintain a balance between continuity of funding and flexibility through the use of credit lines available from local banks. The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical data and forecasts from its collection and disbursement. Also, the Company only places funds in the money market which are exceeding the Company's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

### Interest Rate Risk

The Company's interest rate risk arises from borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

### Foreign Exchange Risks

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate.

The Company has transactional currency exposures arising from sales or purchases in foreign currencies. Foreign exchange risks are considered minimal. The Company decides not to hedge these immaterial currency exposures considering the cost of hedging being higher than the currency exposure.

## **FINANCIAL ASSETS AND LIABILITIES**

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

*Initial and Subsequent Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss, includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other liabilities at amortized cost. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date. The Company has no financial assets or liabilities at fair value through profit or loss and held-to-maturity investments as of December 31, 2010 and 2009.

*Determination of Fair Value.* The fair value for financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

The Company considers a market as active if it is one in which transactions is taking place regularly on an arm's length basis. On the other hand, the Company considers a market as inactive if there is a significant decline in the volume and level of trading activity and the available prices vary significantly over time among market participants or the prices are not current.

*'Day 1' Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Loans and receivables are carried 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 and costs that are an integral part of the effective interest. Gains and losses are recognized in the consolidated 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 reporting date otherwise; these are classified as noncurrent assets.

Classified as loans and receivables are the Company's cash and cash equivalents, and trade and other receivables.

*Available-for-sale Financial Assets.* Available-for-sale financial assets are those nonderivative financial assets that are not classified as fair value through profit or loss, loans and receivable or held-to-maturity investments. These are purchased and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions. After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized in the "other comprehensive income" section of the consolidated statement of comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recorded as part of profit or loss in the consolidated statement of comprehensive income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the consolidated statement of comprehensive income when the right to receive payment has been established. Available-for-sale financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The fair value of available-for-sale financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

The Company classified its investment in a certain country club as available-for-sale financial asset. The carrying value and fair value of the available-for-sale financial asset, which is presented as part of "Other noncurrent assets" account in the consolidated balance sheets amounting to Ps 0.33 million as of December 31, 2010 and 2009.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations and loans and borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through amortization process.

This category includes notes payable and trade and other payables amounting to ₱ 395.6 million as of December 31, 2011, ₱ 309.7 million as of December 31, 2010, and ₱ 475.4 million in December 31, 2009.

### Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments as of March 31, 2011, December 31, 2010 and 2009:

	March 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱280,480,275	₱280,480,275	₱342,030,954	₱342,030,954
Trade and other receivables:				
Trade	299,037,133	299,037,133	234,048,092	234,048,092
Receivables from related parties	14,453,835	14,453,835	16,370,141	16,370,141
Others	14,183,814	14,183,814	29,137,191	29,137,191
	608,155,057	608,155,057	621,586,378	621,586,378
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	330,000	330,000	330,000
	₱608,485,057	₱608,485,057	₱621,916,378	₱621,916,378

### Financial Liabilities

Other financial liabilities:				
Trade and other payables*	395,585,338	395,585,338	309,737,079	309,737,079
	₱395,585,338	₱395,585,338	₱309,737,079	₱309,737,079

	December 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱342,030,954	₱342,030,954	₱249,272,878	₱249,272,878
Trade and other receivables:				
Trade	234,048,092	234,048,092	261,927,445	261,927,445
Receivables from related parties	16,370,141	16,370,141	20,146,674	20,146,674
Others	29,137,191	29,137,191	40,320,470	40,320,470
	621,586,378	621,586,378	571,667,467	571,667,467
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	330,000	330,000	330,000
	₱621,916,378	₱621,916,378	₱571,997,467	₱571,997,467

### Financial Liabilities

Other financial liabilities:				
Notes payable	₱ -	₱ -	₱130,000,000	₱130,000,000
Trade and other payables*	309,737,079	309,737,079	345,441,790	345,441,790
	₱309,737,079	₱309,737,079	₱475,441,790	₱475,441,790



## Investments

### **Interphil Laboratories Inc. (formerly First Pharma)**

Interphil Laboratories, Inc. (Interphil) (formerly First Pharma Industries Phil., Inc.) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 5, 2008 primarily to manufacture, process and package drugs, chemicals, pharmaceuticals and veterinary products.

The Company is still the recognized leader among pharmaceutical contract manufacturers in the Philippines and in Asia. About 27 transnational pharmaceutical companies (87% local and 13% export) are patronizing Interphil.

Major clients include Boehringer Ingelheim, Johnson & Johnson, Pfizer Consumer Healthcare, Pfizer Consumer Healthcare Pty Ltd., Roche Philippines, Pfizer Pharma Inc, Abbott Laboratories Philippines, GlaxoSmithkline, Novartis Healthcare Philippines, Inc., sanofi-aventis Philippines, and Janssen Pharmaceutica.

Interphil (formerly First Pharma) has two plants that are capable of manufacturing various pharmaceutical dosage forms as follows:

- A. Non-sterile products
  - A.1 Liquid dosage forms (syrups, solutions, suspensions, liquid emulsions)
  - A.2 Semi-solid dosage forms (creams, ointments, pastes, gels)
  - A.3 Solid dosage forms
    - A.3.1 Unit dose form (tablets, hard and soft gel capsules, lozenges, Suppositories)
    - A.3.2 Multi dose form (powders, granules)
- B. Specifically toxic and hazardous substances
  - B.1 Penicillins
  - B.2 Cephalosporins
  - B.3 Others – corticosteroids
- C. Packaging only
  - C.1 Liquid dosage forms
  - C.2 Semi-solid dosage forms
  - C.3 Solid dosage forms
- D. Others
  - D.1 Cosmetics

Clients undertake to take delivery of their products at Interphil's (formerly First Pharma's) Cabuyao, Laguna plant.

The principal product lines and percentage of contribution to sales are as follows:

<b>PRODUCT LINES</b>	<b>PERCENTAGE TO TOTAL</b>
Liquids	27.24%
Dry Products	48.19%
Creams and Ointments	11.56%
Repackaging	0.32%
Penicillin	3.50%
Cephalosporin	1.90%
QA/TSD	7.29%
<b>TOTAL</b>	<b>100.00%</b>

Volume for 2010 dropped versus last year and will continue to slide based on the Philippine Pharmaceutical Industry indices. Industry growth is now down to single digit.

Interphil's market participation is eroding as market share of its MNC clients have shrunk as local companies have also been introducing and aggressively marketing "me-too" products at very much lower prices to compete with legacy or originator brands.

While the price ceiling on various medicines has not directly affected Interphil, the profit reduction on the business of multinational clients has resulted into them passing the pressure on Interphil as their supplier. Likewise, the consolidation of the MNC's product supply to their own manufacturing facilities has affected the market value share of Interphil sourced products and counting units.

As the local market share of MNC clients continues to drop, Interphil has been moving towards expanding its export revenues and extending manufacturing and laboratory services to local companies.

Interphil Laboratories' supplier portfolio is a healthy mix of local and international sources. This ensures that the quality and viability of our raw and packaging materials are up to standards and are cost competitive. We only do business with suppliers that have passed Interphil and client's supplier qualification process. We also maintain key supplier linkages, volume leverage, price locks and established supply/quality agreements, in order to get the best prices in the market.

Interphil purchases various raw and packaging materials common across clients from qualified suppliers and sources. These include sorbitol, glycerine, sucrose granulate (sugar), magnesium stearate, alcohol, and vitamins. Packaging materials purchased include foil, amber/plastic bottles, aluminum caps, printed boxes, & corrugated cases.

Interphil has supply & quality agreements with local and foreign industry leaders like San Miguel-Yamamura Inc., CADP, Roquette, DSM, Capsugel, Dow Chemicals, IFF, Givaudan, Kao, Boehringer Ingelheim, Merck, Pfizer Centre Source, Alucon, Flexo, I-Print, Vision, Moldex, Netpack.

As part of our "concierge" style services and in addition to our manufacturing and testing/assay services, procurement offers what we proudly call "All-In Service". This service ensures that raw and packaging materials and supplies for products to be manufactured are bought at the best prices and delivered on time in order for our clients to focus on core aspects of their business like marketing, regulatory and brand growth. In detail, these are materials planning, procurement, logistics, import/export, warehousing, materials sourcing, supplier qualification, delivery monitoring and supplier management.

The Company defrayed approximately ₱2.4 million in 2010 for environmental waste management. This amount consists of payment for permits renewal, electricity consumed and salaries paid to operate and maintain the wastewater treatment plant.

As of December 31, 2010, Interphil has a total of 480 employees composed of managers and rank and file. There is an existing Collective Bargaining Agreement (CBA) covering Interphil's employees and renegotiations for 2011 started in December 2010. The Company was not subjected to any employees' strike nor is threatened with a union instigated work stoppage for the ensuing year. The Company provides employee benefits including health care and retirement benefits and has enjoyed good labor relations.

#### **Lancashire Realty Holding Corp.**

Lancashire Realty Holding Corp. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 2008 primarily to invest in companies engaged in a wide range of activities.

#### **Item 2. Properties**

Manchester (formerly Interphil) does not own any real property. It does not even lease any real property and has no intention of acquiring any real property in the next twelve months.

On a consolidated basis, 2009 total property plant and equipment of Manchester were valued at ₱ 603,095,240 as compared to ₱ 549,284,720 for 2010 and ₱ 534,931,615 for 2011.

Property, Plant & Equipment (including Land) as of March 31, 2011, December 31, 2010 and 2009.

	March 31, 2011	December 31, 2010
Land	₱ 112,195,000	₱ 112,195,000
Buildings & Leasehold Improvement	801,760,558	801,760,558
Machinery and Equipment	573,380,118	572,593,248
Office Furniture, Fixtures and Equipment	83,896,840	83,957,196
Total Cost	1,571,232,516	1,570,506,002
Less: Accumulated Depreciation	1,036,300,901	1,021,221,282
Net Book Value	₱ 534,931,615	₱ 549,284,720

	December 31, 2010	December 31, 2009
Land	₱ 112,195,000	₱ 112,195,000
Buildings & Leasehold Improvement	801,760,558	801,985,571
Machinery and Equipment	572,593,248	558,148,640
Office Furniture, Fixtures and Equipment	83,957,196	82,934,625
Total Cost	1,570,506,002	1,555,263,836
Less: Accumulated Depreciation	1,021,221,282	952,168,596
Net Book Value	₱ 549,284,720	₱ 603,095,240

Information regarding properties of its subsidiaries are:

- Interphil (formerly First Pharma) main plant is situated on a 50,365 sq m owned by Interphil's (formerly First Pharma) affiliate Lancashire Realty Holding Corp in Canlubang Industrial Estate, Cabuyao, Laguna. The other plant in Canlubang Industrial Estate, Calamba, Laguna is subleased from a client.
- Lancashire owns a 50,365 sq m of land in Canlubang Industrial Estate, Cabuyao, Laguna.

**Item 3. Legal Proceedings Affecting the Registrant or its Affiliates**

Interphil is a defendant in two (2) labor cases being handled by its legal counsel, Castillo, Laman, Tan, Pantaleon and San Jose Law Offices. In the opinion of management, the ultimate liability, if any, resulting from these matters will not have a material effect on the Company's financial position.

Below is an outline of labor cases handled by the Company's lawyers:

1. *Isagani C. Camson vs. Interphil Laboratories, Inc., et al.*  
NLRC Case No. RAB IV-10-18357-03-L  
(Our Ref. 1529.30.33)

Complainant Isagani Camson ("Camson") was dismissed for dishonesty at the instance of the labor union. In a Decision dated June 19, 2007, the Labor Arbiter dismissed the complaint for lack of merit. Complainant thereafter filed an Appeal with the National Labor Relations Commission ("NLRC") on July 26, 2007. The NLRC, in a Decision dated May 19, 2008, dismissed Camson's appeal for lack of merit. The NLRC likewise denied Camson's Motion for Reconsideration. On April 16, 2009, the Corporation received a copy of Camson's Petition for Certiorari dated April 8, 2009 ("Petition") questioning the NLRC's Decision and elevating the case to the Court of Appeals. On May 28, 2009, the Corporation filed a Comment on the Petition. In a Resolution dated January 17, 2011, the Court of Appeals denied the Petition for lack of merit. Undaunted, Camson filed in the Court of Appeals his Motion for Reconsideration dated February 2, 2011. On February 22, 2011, the Corporation filed its Comment (on Motion for Reconsideration dated February 2, 2011). As of this date, the Complainant's Motion for Reconsideration is still pending resolution by the Court of Appeals.

2. *Danilo M. Lucinario vs. Interphil Laboratories, Inc.*  
 NLRC Case No. SRAB IV 10-7697-03-L  
 CA No. 045048-05  
 (Our Ref. 1529.30.30)

Complainant Danilo M. Lucinario ("Lucinario") was dismissed for dishonesty at the instance of the labor union. In his Decision dated May 12, 2005, the Labor Arbiter declared the dismissal of the complainant to be valid and justified. Lucinario appealed to the NLRC but his appeal was dismissed. Lucinario moved for reconsideration, but this was denied. Lucinario filed a Petition for Certiorari with the Court of Appeals on February 13, 2007 ("Petition"). The Corporation filed its Comment on the Petition on April 11, 2007, seeking its dismissal. On January 27, 2010, the Corporation received a copy of the Court of Appeals' Decision dated January 20, 2010, dismissing the Petition. Lucinario moved for reconsideration of the Court of Appeals' Decision, but his motion was denied. Lucinario appealed to the Supreme Court. On February 24, 2011, the Corporation received a Notice dated December 23, 2010 from the First Division of the Supreme Court denying Lucinario's appeal.

The Company is also a defendant in one (1) civil case being handled by its legal counsel, Sebastian Liganor & Galinato Law Offices.

- OEP Philippines, Inc. vs. Interphil Laboratories, Inc.*  
 CA G.R. CV No. 92550  
 Special Sixteenth Division, Court of Appeals, Manila

This is a Complaint filed by OEP Philippines Inc (hereafter "OEP") against Interphil Laboratories Inc ("Interphil") for the recovery of the amount of ₱ 5,183,525.05 as actual damages, which allegedly represents the cost and expenses that OEP incurred in connection with the recall and destruction of defectively packaged Diltelan capsules consisting of 4,924 boxes of 90mg Diltelan capsules that Interphil undertook to process and package under their Manufacturing Agreement ("Agreement"). OEP also sought the recovery of the amount of ₱ 306,648.81, representing the margin of profits which it allegedly lost from the recall and destruction of the said capsules, as well as the payment of exemplary damages, attorney's fees and costs of the suit. After trial and relying mainly on the principles of *res ipsa loquitur*, the trial court rendered a Decision dated 24 January 2008 ordering Interphil to pay OEP the following: 1) ₱ 5,183,525.05 as actual damages; 2) ₱ 306,648.81 as compensatory damages; 3) ₱ 100,000.00 as exemplary damages and 4) ₱ 50,000.00 as attorney's fees, costs, and expenses. After the submission of both Interphil and OEP of their respective Briefs, the appeal has now been submitted for Decision based on the resolution of the Court of Appeals dated 06 September 2010. Based on the arguments raised by Interphil on its appeal there is a great chance that the Court of Appeals will rule that the case will be remanded before the trial court for further reception of evidence considering that the principle of *res ipsa loquitur* which was mainly relied upon trial court in pinning the fault and negligence on the part of Interphil clearly lacks basis both in fact and in law.

We confirm having no knowledge of any other matters other than above.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the period covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters

**Market Information.** The principal market for the Company's common stocks is the Philippine Stock Exchange.

The following table indicates the high and low trading prices of the Company's shares for the fiscal years 2010 and 2009 and first quarter of 2011.

		CLASS A		CLASS B	
		HIGH	LOW	HIGH	LOW
2011					
	January	1.25	1.25	1.53	1.53
	February	1.25	1.25	1.20	1.20
	March	1.25	1.25	1.26	1.26
2010					
	First Quarter	1.20	1.04	1.12	1.06
	Second Quarter	Nil	Nil	1.00	1.00
	Third Quarter	1.28	1.28	1.10	1.10
	Fourth Quarter	1.58	1.17	1.53	1.53
2009					
	First Quarter	Nil	Nil	Nil	Nil
	Second Quarter	Nil	Nil	0.62	0.62
	Third Quarter	Nil	Nil	0.76	0.76
	Fourth Quarter	0.64	0.64	Nil	Nil

The majority of the Board of Directors, in their special meetings held on October 9, 2002, and March 19, 2003, voted for the approval of a Share Buyback Program of the Company covering up to One Hundred Seventy Five Million (175,000,000) shares at market price.

**Stockholders.** The percentage ownership of shareholders of record of the total outstanding shares (net of 150,435,404 issued shares held by the Company as treasury shares) as of March 31, 2011 was 69% Filipino and 31% Foreign. The Company has a total of 412,064,596 shares outstanding as of December 31, 2010 (net of 150,435,404 issued shares held by the Company as treasury shares, of which 64,803,449 are class "A" shares and 85,631,955 are class "B" shares) consisting of 260,715,926 class "A" shares and 129,541,985 class "B" shares. 431 stockholders hold class "A" shares, 75 hold class "B" shares and 27 stockholders own both class "A" and "B" shares for a total of 533 stockholders.

Top 20 stockholders as of March 31, 2011 are as follows:

	NAME	NO. OF SHARES HELD	% TO TOTAL OUTSTANDING SHARES
1	INTERPHARMA HOLDINGS & MGT. CORP.	255,264,483	61.95
2	PHARMA INDUSTRIES HOLDINGS LIMITED (formerly KHATIBI HOLDINGS LIMITED)	128,208,993	31.11
3	PCD NOMINEE CORPORATION (FILIPINO)	19,172,013	4.65
4	PAULINO G. PE	756,250	0.18
5	KASIGOD V. JAMIAS	570,861	0.14
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	393,750	0.10
7	PUA YOK BING	375,000	0.09
8	PAULINO G. PE	240,000	0.06
9	ROBERTO S. CHUA	228,750	0.06
10	JOSE CUISIA	187,500	0.05
10	VICTOR SY	187,500	0.05
11	NELSON GO TAN	150,000	0.04
11	EDUARDO M. CABRERA	150,000	0.04
11	LUMEN TIAOQUI	150,000	0.04
11	LEONARDO CHUA LIAN	150,000	0.04
12	JOSE VICENTE S. VILAR	143,750	0.03
13	ALBERTO ANGUSTIA &/OR FRANCISCO C. GONZALEZ	135,000	0.03
14	OSCAR CU	131,250	0.03
15	OSCAR CU	125,000	0.03
16	JOSEPHINE T. WILLER	118,750	0.03
17	ALEXANDER S. ARANETA	116,250	0.03
18	JOSE MARCEL ENRIQUEZ PANLILIO	112,500	0.03
19	BERNARD ONG AND/OR CONCHITA ONG	100,000	0.02
20	ELENA B. ALIKPALA	82,500	0.02
	<b>TOTAL</b>	<b>407,250,100</b>	<b>98.83</b>

\* Net of Treasury Shares held by ATR-KIM Eng on behalf of Manchester (formerly Interphil) as Manchester's (formerly Interphil) executing broker.

**Dividends Per Share.** No cash dividend was declared for the years 2004-2010. A twelve centavos (₱0.12) per share cash dividend was declared by the Board of Directors in its Regular Meeting held on May 23, 2001 in favor of the stockholders of record as of June 28, 2001 and was paid last July 12, 2001.

**Sale of Unregistered Securities.** The Company did not sell unregistered securities in the last three (3) years.

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

The following discussion and analysis of the Company's consolidated financial conditions and results of operations should be read in combination with the consolidated financial statements and accompanying schedules and disclosures present elsewhere in this report.

#### OPERATIONS IN 2010

For the year 2010, Manchester posted a consolidated net income of ₱ 135M a 20.0% YOY increase, which translated to a ₱ 0.327 in earnings per share. This accomplishment was driven by income contributions of the two subsidiaries, with the toll manufacturing still accounting for the lion's share at 99.3% while the realty holding's share is at 0.7%

### Interphil Laboratories, Inc.

Operating results for 2010 were unprecedented. Despite the downward trend in volume and the spiralling cost of power, the company managed to post a net income before income tax of ₱ 186.5M or 10.2% of gross revenues but lower than previous year of ₱ 215.8M. Upsides during the year were the net reversal of ₱ 12.9M bad debt provision; partial utilization of creditable withholding taxes of ₱ 16.3M and expired inventories charged to clients and the ₱7.7M share in the joint venture's income.

### Lancashire Realty Holding Corp

In 2010, Lancashire generated a revenue of ₱ 6.0M from rental of its land.

### Plan of Operations in 2011

To sustain business expansion, the Parent Company intends to focus on its investment in manufacturing and property development.

The Company anticipates that Interphil will moderately contribute to its retained earnings.

### Key Performance Indicators

The Company's Consolidated top five (5) key performance indicators are shown below with their relevant results for March 31, 2011, December 31, 2010 and December 31, 2009.

	% INCREASE (DECREASE)	March 31, 2011 (Unaudited*)	March 31, 2010 (Unaudited)
REVENUES (₱000)	2.7%	349,017	339,983
GROSS INCOME (₱000)	63.7%	51,380	31,384
NET INCOME(LOSS) (₱000)	146%	9,211	(20,113)
PROFIT(LOSS) PER SHARE (₱)	166%	0.032	(0.049)

	% INCREASE (DECREASE)	December 31, 2010 (Audited*)	December 31, 2009 (Audited)
REVENUES (₱000)	(7.6%)	1,832,976	1,983,962
GROSS INCOME (₱000)	(15.9%)	366,400	435,463
NET INCOME(LOSS) (₱000)	19.5%	134,581	112,607
PROFIT(LOSS) PER SHARE (₱)	19.8%	0.327	0.273
TOTAL ASSETS (₱000)	(2.6%)	1,367,352	1,404,356

### Interphil Laboratories, Inc (formerly First Pharma)

	% INCREASE (DECREASE)	December 31, 2010 (Audited*)	December 31, 2009 (Audited)
VOLUME ('000 SPUs)	(14.6%)	67,053	78,547
REVENUES (₱000)	(7.6%)	1,832,976	1,983,962
GROSS INCOME (₱000)	(16.1%)	360,737	429,800
NET INCOME (₱000)	(1.1%)	133,609	135,033
TOTAL ASSETS (₱000)	(2.7%)	1,243,972	1,278,331
STOCKHOLDERS' EQUITY(₱000)	18.9%	842,415	708,805

**Lancashire Realty Holding Corp.**

	% INCREASE (DECREASE)	December 31, 2010 (Audited*)	December 31, 2009 (Audited)
REVENUES (P000)	0%	6,044	6,044
GROSS INCOME (P000)	0%	5,663	5,663
NET INCOME(LOSS) (P000)	19.6%	935	782
TOTAL ASSETS (P000)	0.1%	114,064	113,929
STOCKHOLDERS' EQUITY (P000)	0.8%	113,912	112,977

\* except for information on volume.

- a) **Volume Growth**  
Measures the percentage change in volume over a period of time. Volume is regularly monitored on a per product and per client basis.
- b) **Revenue Growth**  
Measures the percentage change in revenue over a period of time. It is regularly monitored on a per product and per client basis.
- c) **Gross Income**  
Measures the pricing strategy of the Company. Computed as Revenue less Cost of Goods Sold.
- d) **Net Income/(Loss)**  
Measures the profitability of the company.
- e) **Profit(Loss) Per Share**  
Measures how much a stockholder earns in the net income or loss of the Company. Profit (Loss) per share is calculated by dividing net income or loss by the weighted number of common shares issued and outstanding during a particular period of time.
- f) **Total Assets Growth**  
Measures the percentage change in assets over a period of time. Assets is regularly monitored on a per asset class.
- g) **Stockholders' Equity Growth**  
Measures the percentage change in stockholders' equity over a period of time.

There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default on or acceleration of an obligation.

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

**March, 2011 vs December, 2010**

There were some significant changes in the **Company's Consolidated Balance Sheet** as of March 31, 2011 versus December 31, 2010.

**Current assets**

Cash and cash equivalents reflected an 18% reduction at P280,480,275 from P342,030,954 December 31, 2010 balance. The decrease came from lower short-term investments.

Receivables increased by 17% (P327,674,782 vs P279,555,424) mainly due to higher revenues in March.

Inventories totaled P236,891,150, up by 51% from yearend 2010 level of P156,839,442. This increase was attributed to purchases to support next quarter's production requirements.



Advances to suppliers and other current assets is up by 29% to ₱45,195,120 due to payments to suppliers of imported materials and related import and shipping charges.

#### **Non-Current Assets**

Property, plant and equipment, net of accumulated depreciation, decreased by 3% (₱422,736,615 vs ₱437,089,720) due to the depreciation of ₱15,079,619 offset by net acquisitions of ₱726,514.

Creditable Withholding Taxes increased by 100%, from ₱ 0 to ₱1,266,699. Amount represents deductions made by clients from billings for services rendered.

Other non-current assets increased by 13% to ₱5,277,702. These are for down payment for various capital expenditures

#### **Current Liabilities**

Trade and other payables increased by 22% (₱395,585,338 vs ₱323,712,436) mainly due to higher purchases.

Net Output tax decreased by 44% (₱16,209,983 vs ₱28,696,213). This drop was due to higher input tax for the quarter as a result of increased purchases.

#### **Non-Current Liabilities**

The Company's Retirement and long-term sick leave benefit liability decreased by 12% due to lower accrual of employee benefits.

#### **Full Years 2010 vs 2009**

There were some significant changes in the **Company's Consolidated Balance Sheet** as of December 31, 2010 versus December 31, 2009.

#### **Current assets**

Cash and Cash Equivalents is higher by 37% due to increase in short-term investments.

Trade and Other receivables decreased by ₱42,839,165 as a result of increased collections and settlement of past due accounts by a client.

Inventories decreased by 21% from ₱199,646,191 to ₱156,839,442 primarily due to better management and control of inventory.

Advances to suppliers and other current assets registered an increase of 37%, from ₱25,608,857 to ₱34,979,835, due to higher advances to suppliers of imported materials and related import and shipping charges and prepaid insurance.

#### **Noncurrent assets**

Property, plant, and equipment totaled ₱437,089,720, down from ₱490,900,240 due to the annual depreciation of ₱76,776,747 and acquisitions of ₱22,966,227.

Other non-current assets increased by 7% from ₱4,338,635 to ₱4,662,080, due to higher investment and advances in a joint venture.

#### **Current Liabilities**

Notes payable is down to zero from ₱130,000,000 as outstanding bank loans were fully settled during the year.

Trade and other payables are down by 9% to ₱323,712,436 as a result of decrease in purchases.

Output tax payable decreased due to lower collections in December.

### **Noncurrent Liabilities**

Deferred income tax liabilities – net of deferred tax assets increased by ₱4,994,956 compared to 2009 year-end level. The reduction in deferred tax asset is mainly due to the collection of receivables amounting to ₱27,865,322 which were estimated to be doubtful for collection. Allowance was provided in 2009.

The 24% decrease in Retirement and long-term sick leave benefits liability is attributable to the lower provision for pension expense net of the sick leave benefits paid in 2010.

### **Full Years 2009 vs 2008**

There were some significant changes in the **Company's Consolidated Balance Sheet** as of December 31, 2009 versus December 31, 2008.

#### **Current assets**

Cash and Cash Equivalents level increased by 161% to ₱249,272,878 due to cash received from principal stockholders as temporary advance and will be returned later.

Trade and Other receivables account decreased by 11% due to the decrease in sales revenue in December. Inventories decreased by 18% (₱199,646,191 vs ₱243,622,387) mainly due to clean up of expired materials and reduction of purchases.

Advances to suppliers and other current assets decreased by 34% from ₱38,964,756 to ₱25,608,857 due to lower advances to suppliers of imported materials and related import and shipping charges and prepaid insurance.

#### **Noncurrent assets**

Property, plant, and equipment registered a decrease of 10% from ₱544,098,949 to ₱490,900,240 due to the annual depreciation of ₱83,561,952 and acquisitions of ₱30,399,567 (net of sale of miscellaneous assets of ₱36,324).

Creditable withholding tax decreased by 100% from last year's ₱123,357,278 which is the net effect of the partial application against income tax due for 2009 and the allowances for possible losses on creditable withholding taxes.

Receivable from Manila Electric Company (Meralco) – net of current portion pertains to the discounted present value of the long-term portion of refund from Meralco which has been fully collected.

Other non-current assets decreased by 73% from ₱16,013,876 to ₱4,338,635, mainly due to lower deposits made to service providers for major repairs and maintenance.

#### **Current Liabilities**

Notes payable decreased by 68% to ₱130,000,000 from ₱400,000,000 as partial payments were made during the year on bank loans.

Trade and other payables are up by 8% to ₱356,032,331 as a result of the year-end cash conservation program.

Output tax payable increased due to higher collections generated in December.

#### **Noncurrent Liabilities**

Deferred income tax liabilities decreased by 47% compared to 2008 year-end level, mainly due to the recognition of additional deferred tax assets related to the additional provision for post employment benefits, and doubtful accounts.

The 18% decrease in Retirement and long-term sick leave benefits liability is attributable to the lower provision for pension expense net of the sick leave benefits paid in 2009.

## **Full Years 2008 vs 2007**

There were some significant changes in the **Company's Consolidated Balance Sheet** as of December 31, 2008 versus December 31, 2007.

### **Current assets**

The significant increase in Cash and Cash Equivalents by ₱40,263,278 is from cash generated from operations such as the collection of its receivables.

The increase in Trade and Other receivables by ₱27,823,924 was mainly due to higher sales revenue generated in December.

The decrease in inventory balance by ₱105,521,288 was due to the conversion of materials to finished goods and its consequent delivery to customers.

Increase in the advances to suppliers and other current assets by ₱22,171,441 can be attributed mainly due to advances to suppliers of imported materials and related import and shipping charges.

### **Noncurrent assets**

The December 31, 2007 Property, plant, and equipment of ₱614,069,363 decreased to ₱544,098,949 due to the annual depreciation of ₱94,255,617 offset by acquisitions of ₱24,285,203.

Creditable withholding tax decreased by ₱12,924,995 which is the net effect of the partial application against income tax due for 2008 and the allowances for possible losses on creditable withholding taxes.

Receivable from Manila Electric Company (Meralco) – net of current portion pertains to the discounted present value of the long-term portion of refund from Meralco.

The decrease in Other non-current assets by ₱2,892,520 is attributed to the reclassification of deposits made to service contractors for major repairs and maintenance to Construction in Progress account which is part of Fixed Assets.

### **Current Liabilities**

Notes payable decreased by ₱134,000,000 due to the partial payments made during the year on bank loans.

The decrease in Trade and other payables by ₱37,538,750 pertains to the settlement of maturing suppliers' invoices.

Output tax payable increased due to higher collections generated in December.

### **Noncurrent Liabilities**

The decrease in Deferred income tax liabilities by ₱11,154,109 is the recognition of additional deferred tax assets related to the additional provision for post employment benefits, and doubtful accounts.

Excess of accumulated equity in net losses of a joint venture over cost of related investment and advances increased as a result of the increase in the net losses of GPI in 2008.

The increase in Retirement and long-term sick leave benefits liability by ₱7,465,395 corresponds to higher provision for pension expense net of the sick leave benefits paid in 2008.

**Discussion and Analysis of material event/s and uncertainties known to management that would have address the past and would have an impact on future operations of the following from 2007 to March 31, 2011:**

- a) There are no known trends, events, or uncertainties that will have material impact on the Company's future liquidity.
- b) There are no known events that will trigger direct or indirect contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d) There are no material commitments for capital expenditures that occurred during the reporting period.
- e) There are no known trends, events, or uncertainties that are expected to have material impact on sales/revenues/income from continuing operations that occurred during the reporting period.
- f) There are no significant elements of income or loss that did not arise from the Company's continuing operations that occurred during the reporting period.
- g) There are no seasonal aspects that had a material effect on the financial condition or results of operations.

**Results of Operations**

**March, 2011 vs. March, 2010**

Manchester registered consolidated revenues of ₱349,016,780 for the quarter ended March 31, 2011, up by 3% or ₱9,033,503 from last year of the same period of ₱339,983,277. The increase was largely due to price increases of the manufacturing segment.

Consolidated costs and operating expenses decreased by ₱7,244,919 or 2% due significantly to lower salaries and personnel expenses.

Despite the significant reduction in volume of the manufacturing business, the Company realized an income of ₱9,211,161 in the first quarter, a 146% improvement over last year of the same period's loss of ₱20,113,000. Savings were generated from reduction in headcount and other costs reductions from operational efficiency.

To mitigate the impact of lower volumes of the manufacturing segment, matching and optimization of resources are now being implemented. Likewise, export sales is being expanded.

**Full Years 2010 vs 2009**

Manchester (formerly Interphil) registered consolidated revenues of ₱1,832,976,274 for the year ended December 31, 2010, down by 8% or ₱150,985,317 from last year's ₱1,983,961,591. The decrease was largely due to decrease in volume of the manufacturing segment.

Consolidated cost of sales and services and operating expenses dropped by ₱106,162,527 or 6.0% due to lower cost of materials, decrease in salaries and wages, and elimination of provision for possible losses on creditable withholding tax.

Net income for the year 2010 is at ₱134,580,788 versus ₱112,606,723 in 2009. This is primarily due to the impact of better negotiation from suppliers to lower cost of materials.

**Full Years 2009 vs 2008**

The Company's consolidated revenues posted a reduction in 2009 of 8% or ₱174,566,933 to ₱1,983,961,591 for the year ended December 31, 2009 from last year's ₱2,158,528,524. The decrease was largely due to the deterioration in volume of the manufacturing segment during the year.

Consolidated operating costs and operating expenses is lower by ₱216,958,045 due to lower cost of materials and personnel expenses.

Net income for the year 2009 is at ₱112,606,723 versus a net income of ₱66,779,440 in 2008. This is primarily due to the impact of cost containment measures.

**Full Years 2008 vs 2007**

Consolidated operational results from the two business segments reached ₱66,779,440, increased by 25% from the amount reported in 2007. Major decrease from cost of sales and services contributed to remarkable showing of the Company's operations for the year.

**CAUSES FOR ANY MATERIAL CHANGES FROM PERIOD TO PERIOD OF FS WHICH SHALL INCLUDE VERTICAL AND HORIZONTAL ANALYSES OF ANY MATERIAL ITEM (5%)**

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP**

(formerly INTERPHIL LABORATORIES, INC.)

**CONSOLIDATED BALANCE SHEETS**

AS OF MARCH 31, 2011 and DECEMBER 31, 2010

(in Millions of Pesos)

	MARCH	DECEMBER	VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	2011	2010	% to Total Assets		% of Change in Prior Year	
	UNAUDITED	AUDITED	Mar-11	Dec-10	Mar-11	
<b>ASSETS</b>						
<b>Current assets</b>						
Cash & Cash Equivalents	280.5	342.0	20%	25%	-18%	The decrease mainly came from lower short-term investments
Trade and other receivables-net	327.7	279.6	23%	20%	17%	The increase was due to higher revenues in March
Inventories - net	236.9	156.8	17%	11%	51%	Higher purchases to support 2nd quarter production requirements
Advances to suppliers and other current assets	45.2	35.0	3%	3%	29%	Payments to suppliers of imported materials and related import and shipping charges
<b>Total current assets</b>	<b>890.2</b>	<b>813.4</b>	<b>62%</b>	<b>59%</b>	<b>9%</b>	
<b>Noncurrent assets</b>						
Property, plant and equipment at cost-net	422.7	437.1	30%	32%	-3%	
Land at revalued amount	112.2	112.2	8%	8%	0%	
Creditable withholding taxes - net of allowances	1.3	-	0%	0%	100%	Withholding tax on 1st quarter service billings and collections
Other Noncurrent assets	5.3	4.7	0%	0%	13%	Downpayment for fixed asset purchases
<b>Total noncurrent assets</b>	<b>541.5</b>	<b>553.9</b>	<b>38%</b>	<b>41%</b>	<b>-2%</b>	
<b>Total Assets</b>	<b>1,431.7</b>	<b>1,367.4</b>	<b>100%</b>	<b>100%</b>	<b>5%</b>	

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION**  
**(formerly INTERPHIL LABORATORIES, INC.)**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF MARCH 31, 2011 and DECEMBER 31, 2010**  
**(in Millions of Pesos)**

	MARCH	DECEMBER	VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	2011	2010	% to Total Assets		% of Change in Prior Year	
	UNAUDITED	AUDITED	Mar-11	Dec-10	Mar-11	
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities</b>						
Trade and other payables	395.6	323.7	28%	24%	22%	The increase was mainly due to higher purchases
Output tax	16.2	28.7	1%	2%	-44%	The drop was due to higher input tax
<b>Total current liabilities</b>	<b>411.8</b>	<b>352.4</b>	<b>29%</b>	<b>26%</b>	<b>17%</b>	
<b>Noncurrent liabilities</b>						
Deferred income tax	5.7	5.7	0%	0%	0%	
Retirement and long-term sick leave benefits	30.8	35.0	2%	3%	-12%	The decrease was attributable to lower accrual of employee benefits
<b>Total noncurrent liabilities</b>	<b>36.5</b>	<b>40.8</b>	<b>3%</b>	<b>3%</b>	<b>-10%</b>	
<b>EQUITY</b>						
Capital stock	562.5	562.5	39%	41%	0%	
Additional paid-in capital	51.6	51.6	4%	4%	0%	
Revaluation increment in land	60.6	60.6	4%	4%	0%	
Retained earnings	597.2	587.9	42%	43%	2%	
Cost of treasury shares held	(288.5)	(288.5)	-20%	-21%	0%	
<b>Total equity</b>	<b>983.4</b>	<b>974.2</b>	<b>69%</b>	<b>71%</b>	<b>1%</b>	
<b>Total liabilities and stockholders' equity</b>	<b>1,431.7</b>	<b>1,367.4</b>	<b>100%</b>	<b>100%</b>	<b>5%</b>	

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION**  
 (formerly INTERPHIL LABORATORIES, INC.)  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
 FOR THE THREE MONTHS ENDED MARCH 31, 2011 and 2010  
 (in Pesos 000s)

	Mar 2011	Mar 2010	VERTICAL ANALYSIS % to Revenues		HORIZONTAL ANALYSIS % of Change in Prior Year Mar 2011	Causes of Material Changes (With 5% as a Threshold)
	UNAUDITED	UNAUDITED	Mar 2011	Mar 2010		
<b>REVENUES</b>	<b>349.0</b>	340.0	100%	100%	3%	The increase was due to price increases
<b>COST OF SALES AND SERVICES</b>	<b>297.6</b>	308.6	85%	91%	-4%	The decrease was due to lower salaries and personnel expenses
<b>GROSS INCOME</b>	<b>51.4</b>	31.4	15%	9%	64%	
Operating Expenses	44.5	40.8	13%	12%	9%	Advertising exp, and repairs & maintenance
Interest expense	0.0	2.0	0%	1%	-100%	No loans availed in Q1 2011
Interest income	(1.4)	(0.9)	0%	0%	58%	The increase was mainly due to higher cash and cash equivalents balance in banks
FX (gain)/loss	2.2	4.4	1%	1%	-50%	Depreciation of the Phil. Peso vis-à-vis the US dollar
Other expenses	(7.3)	5.2	-2%	2%	-240%	The decrease was due to zero accrual for early retirement
<b>INCOME/(LOSS) BEFORE INCOME TA</b>	<b>13.3</b>	(20.1)	4%	-6%	166%	
<b>PROVISION FOR INCOME TAX</b>	<b>4.1</b>	0.0	1%	0%	100%	Higher due to income
<b>NET INCOME</b>	<b>9.2</b>	(20.1)	3%	-6%	146%	
<b>Basic Earnings per share(P)*</b>	<b>0.032</b>	<b>(0.049)</b>	0%	0%	166%	

\* Net Income over the weighted number or shares outstanding

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION**  
**(Formerly Interphil Laboratories, Inc.)**  
**AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(in Millions of PhP)

	31-Dec		VERTICAL ANALYSIS	HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	2010	2009	% to Total Assets	% of Change in Prior Year	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	342.0	249.3	25%	18%	37% The increase is due to higher short-term investments
Trade and other receivables - net	279.6	322.4	20%	23%	-13% Higher collections and settlement of past due account by a client
Inventories	156.8	199.6	11%	14%	-21% The decrease is mainly due to better management and control of inventories
Advances to suppliers and other current assets	35.0	25.6	3%	2%	37% The increase is due to higher advances to suppliers of imported mail's & related import & shipping charges & prepaid insurance
<b>Total Current Assets</b>	<b>813.4</b>	<b>796.9</b>	<b>59%</b>	<b>57%</b>	<b>2%</b>
<b>Noncurrent Assets</b>					
Property, plant and equipment - net	437.1	490.9	32%	35%	-11% The decrease is due to the annual depreciation
Land at revalued amount	112.2	112.2	8%	8%	0%
Other noncurrent assets	4.7	4.3	0%	0%	7% The increase is mainly due to the higher investments and advances in a joint venture
<b>Total Noncurrent Assets</b>	<b>553.9</b>	<b>607.4</b>	<b>41%</b>	<b>43%</b>	<b>-9%</b>
<b>Total Assets</b>	<b>1,367.4</b>	<b>1,404.4</b>	<b>100%</b>	<b>100%</b>	<b>-3%</b>



**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION**  
**(Formerly Interphil Laboratories, Inc.)**  
**AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(in Millions of PhP)**

	31-Dec		VERTICAL ANALYSIS % to Total Assets		HORIZONTAL ANALYSIS % of Change in Prior Year	Causes of Material Changes (With 5% as a Threshold)
	2010	2009	2010	2009	2010	
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Notes payable	-	130.0	0%	9%	-100%	The decrease is due to the full payment of bank loans
Trade and other payables	323.7	356.0	24%	25%	-9%	The decrease is due to the decrease in purchases
Output tax payable	28.7	32.2	2%	2%	-11%	The increase is due to lower collections generated in December
Income tax payable	-	0.0	0%	0%		
<b>Total Current Liabilities</b>	<b>352.4</b>	<b>518.2</b>	<b>26%</b>	<b>37%</b>	<b>-32%</b>	
<b>Noncurrent Liabilities</b>						
Deferred tax liabilities - net	5.7	0.8	0%	0%	663%	Deferred tax asset is reduced mainly due to the collection of receivables which were provided in 2009
Retirement and long-term sick leave benefits liability	35.0	45.8	3%	3%	-24%	The decrease is attributable to the lower provision for pension expense net of the sick leave benefits paid in 2010
<b>Total Noncurrent Liabilities</b>	<b>40.8</b>	<b>46.5</b>	<b>3%</b>	<b>3%</b>	<b>-12%</b>	
<b>Equity</b>						
Capital stock	562.5	562.5	41%	40%	0%	
Additional paid-in capital	51.6	51.6	4%	4%	0%	
Revaluation increment in land - net of deferred tax of 26.0 million in 2010 and 2009	60.6	60.6	4%	4%	0%	
Retained earnings	587.9	453.4	43%	32%	30%	The increase is due to the net income for the year
Cost of treasury shares held	(288.5)	(288.5)	-21%	-21%	0%	
<b>Total Equity</b>	<b>974.2</b>	<b>839.6</b>	<b>71%</b>	<b>60%</b>	<b>16%</b>	
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>1,367.4</b>	<b>1,404.4</b>	<b>100%</b>	<b>100%</b>	<b>-3%</b>	

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION**  
**(Formerly Interphil Laboratories, Inc.)**  
**AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		VERTICAL ANALYSIS % to Revenues		HORIZONTAL ANALYSIS Prior Year	Causes of Material Changes (With 5% as a Threshold)
	2010	2009	2009	2008	2009	
<b>REVENUES</b>	<b>1,833.0</b>	<b>1,984.0</b>	<b>100%</b>	<b>100%</b>	<b>-8%</b>	The decrease was attributed to the lower volume of the mfg segment
<b>COST OF SALES AND SERVICES</b>	<b>1,466.6</b>	<b>1,548.5</b>	<b>80%</b>	<b>78%</b>	<b>-5%</b>	The decrease was due to lower cost of materials
<b>GROSS INCOME</b>	<b>366.4</b>	<b>435.5</b>	<b>20%</b>	<b>22%</b>	<b>-16%</b>	
<b>Operating expenses</b>	<b>(187.1)</b>	<b>(211.3)</b>	<b>-10%</b>	<b>-11%</b>	<b>-11%</b>	No provision for possible losses on creditable withholding tax
Interest expense	(5.0)	(25.9)	0%	-1%	-81%	Full payment of bank loans in 2010
Interest income	3.2	3.0	0%	0%	6%	The increase was mainly due to higher cash and cash equivalents balance in banks
Foreign exchange gain (loss) - net	(14.6)	(5.0)	-1%	0%	193%	Appreciation of the Phil. Pesos vis-s-vis the US dollar
Equity in net income (loss) of a joint venture	7.7	0.6	0%	0%	1159%	The increase was due to the income of the joint venture
Other income (expense) - net	17.2	20.0	1%	1%	-14%	The decrease was due to lower miscellaneous income from clients
<b>INCOME BEFORE INCOME TAX</b>	<b>187.9</b>	<b>216.9</b>	<b>10%</b>	<b>11%</b>	<b>-13%</b>	
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>						
Current	48.3	105.0	3%	5%	-54%	The decrease was due to lower income
Deferred	5.0	(0.7)	0%	0%	856%	The increase was due to lower deferred tax assets with the collection of receivables previously estimated as doubtful accounts
	<b>53.3</b>	<b>104.3</b>	<b>3%</b>	<b>5%</b>	<b>-49%</b>	
<b>NET INCOME</b>	<b>134.6</b>	<b>112.6</b>	<b>7%</b>	<b>6%</b>	<b>20%</b>	
<b>INCOME</b>	<b>134.6</b>	<b>112.6</b>	<b>7%</b>	<b>6%</b>	<b>20%</b>	
<b>Basic/Diluted Profit Per Share (Note 21)</b>	<b>0.327</b>	<b>0.273</b>	<b>0%</b>	<b>0%</b>	<b>18%</b>	The increase was due to higher income

**Item 7. Financial Statements**

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 34) are filed as part of this Form 17-A.

**Item 8. Information of Independent Accountant and other Related Matters**

## 1. External Audit Fees and Services

For the years ended December 31, 2010 and 2009, the fees for audit work performed by Sycip Gorres Velayo & Co. for the parent company and its subsidiaries were as follows:

	2010	2009
External audit fees and services	₱575,000	₱850,000
Tax fees	-	-
Out-of-pocket expenses	126,527	238,926

- External audit fees were paid for the professional services rendered for the audit of the Company's annual financial statements.
- Tax fees were paid for professional services rendered for tax accounting, compliance, and advice and planning.
- Out-of-pocket expenses were paid for incidental costs incurred in relation to the audit.

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

To the best of knowledge of the undersigned Corporate Secretary, there are no disagreement or any matter of accounting principles or practices, financial statement disclosure or accounting scope or procedure with the Company's external auditor.

**PART III - CONTROL AND COMPENSATION INFORMATION****Item 9. Directors and Executive Officers of the Issuer**

Name And Position	Age	Citizenship	Term of Office As Director/ Officer	Period Served As A Director/Officer
Francisco R. Billano Director/President & General Manager	64	Filipino	1	Since 1995
Kasigod V. Jamias Director / Treasurer	63	Filipino	1	Since 1991
Jose O. Juliano Director / Vice-Chairman of the Board	78	Filipino	1	Since 1987
Paul Kleiner Director	83	Filipino	1	Since 1974
Renato B. Magadia Director	73	Filipino	1	Since 1975
Ricardo J. Romulo Director/Chairman of the Board	78	Filipino	1	Since 1995
Salvador C. Medialdea Director	59	Filipino	1	Since 2009
Ramon Y. Dimacali Director	62	Filipino	1	Since 2008
Ana Liza A. Peralta Corporate Secretary	42	Filipino	1	Since 1997

**DIRECTORS AND OFFICERS**

The names of the incumbent Directors and Executive Officers of the Company and their respective ages, current positions held, periods of service and business experience during the past five years are as follows:

**Atty. Ricardo J. Romulo** 78, Filipino, Director / Chairman of the Board of Directors/Chairman of the Nominating Committee and member of the Audit Committee

He is a senior partner of the Romulo, Mabanta, Buenaventura, Sayoc and De los Angeles Law Office since 1977. He is Chairman of the Board of Federal Phoenix Assurance Co., Inc., since 1993, Digital Telecommunications (Phils). Inc. since August, 1987, Cebu Air, Inc. since December 29, 1995, and Sime Darby Filipinas, Inc. since 1988, and Interphil Laboratories, Inc. since 2008. He also serves as director of Honda Philippines, Inc. since 1983 and Maersk Filipinas, Inc. since April 1, 1990.

**Dr. Jose O. Juliano** 78, Filipino, Independent Director / Vice-Chairman and member of the Nominating Committee

He has served as Director since 1983. He used to be the President and General Manager of the Company. He is likewise the President and Chief Executive Officer of the Calamba Medical Center (since 1999) and Southern Luzon Hospital and Medical Center since 2004, a Director of Luzon Development Bank and Mabuhay Vinyl Corporation since May 2004 and the President of Pharmahex Corporation.

**Mr. Francisco R. Billano** 64, Filipino, Director / President and member of the Nominating Committee

He has been the President of the Company since 1995. He is also the Director/President of Interphil Laboratories, Inc. and the Director of Lancashire Realty Holding Corporation. He was previously connected with other companies like Union Carbide Phils. (from 1973 to 1983), Pepsi Cola Phils. (from 1983 to 1989), and Reynolds Aluminum Phils. (from 1990 to 1994) in senior management positions.

**Mr. Kasigod V. Jamias** 63, Filipino, Director / Treasurer and member of the Nominating and Audit Committees

He is the President of Mercator Holdings and Management Corporation, Filstar Development Corporation, Interpharma Holdings and Management Corporation and Zeta Holdings and Management Corporation and serve as officer and director in other companies in the Zuellig Group.

**Mr. Renato B. Magadia** 73, Filipino, Director and member of the Nominating Committee

He is the Chairman of Metro Alliance Holdings and Equities Corporation, and Waterfront Philippines, Inc. since 1999; Lancashire Realty Holding Corporation since 2008.

**Mr. Paul Kleiner**, 83, Filipino, Director and Chairman of the Audit Committee and member of the Nominating Committee

Director since 1974 and was formerly the Chairman of the Board of Directors of the Company from 1980 to 1996. He was formerly the President of Zuellig Pharma Corporation from 1977 to 1986.

**Atty. Salvador C. Medialdea**, 59, Filipino, Independent Director and member of the Nominating Committee

He is a senior partner of Medialdea Ata Bello Guevarra & Suarez Law Office since 1990.

**Mr. Ramon Y. Dimacali**, 62, Filipino, Director and member of the Nominating Committee

He is the President and CEO of Federal Phoenix Assurance Co., Inc. since 2002. He is also a Director of Roxas & Company, Inc. since 2004 and Chairman of Asia Pacific College since 1994. He served previously as President and GM of IBM Philippines (from 1994 to 1997), Chairman and CEO of IBM Phils. from 1997 to 2002, Chairman of Software Ventures International Corporation (from 2003 to 2006) and Director of Interpharma Investments (from 1998 to 2006).

**Atty. Ana Liza A. Peralta**, 42, Filipino, Corporate Secretary

She is likewise the Corporate Secretary of the following companies namely: AIZ Information Services Phils., Inc. (since 2000 to present), Accette Life & Accident Insurance Brokers, Inc. (since June 5, 1997 to present), Accette Insurance Brokers, Inc. (since May, 1997 to present), Asia Warranty Services Phils., Inc. (since April 15, 2005 to present), Cambert (Pilipinas), Inc., F. E. Zuellig (M), Inc. (since May 11, 1997 to present), Federal Phoenix Assurance Company, Inc. (since April 15, 1997 to present), Filstar Development Corporation (since March 31, 2006 to present), Intermilling Corporation (since October 6, 1997 to present), Interpharma Holdings & Management Corporation (since June 20, 1997 to present), Interphil Laboratories, Inc. (from December, 2008 to present), Lancashire Realty Holdings Corporation (from December, 2008 to present), Medilink Network, Inc. (since February 11, 2000 to present), Mercator Holdings & Management Corporation (since April 14, 1997 to present), The Zuellig Corporation (since December 11, 1996 to present), Ultramar Reinsurance Brokers, Inc. (since July 18, 1997 to present), ZCM Corporation (since May 7, 1997 to present), Zagro Corporation (since April

11, 1997 to present), Zeta Holdings & Management Corporation (since October 12, 1999 to present), ZI-Techasia (Pilipinas), Inc. (since July 12, 2001 to present) and Zuellig Pharma Corporation (ZPC). She is also the Assistant Vice-President for Legal Affairs of ZPC since April 10, 1997. Prior to this, she was the Secretary of The Zuellig Foundation, Inc. (from March 17, 1997 to April, 2008), an associate of Bito, Lozada, Ortega and Castillo Law Office (from July, 1994 to February, 1997) and Chief Legal Consultant of the Office of the former Secretary of the Department of Health, the Honorable Carmencita N. Reodica (from April, 1996 to March 1997). She was one of the Department of Health's representatives to the Board of Directors of Chemfields Inc. from 1996 to 1997.

The Directors of the Company are elected at the Annual Stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its first meeting following the annual stockholders' meeting, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

The Company believes that all descriptions provided by its directors and officers are correct and complete.

### **Significant Employees**

There is not a person who is not an Executive Officer expected by the Company to make significant contribution to the business.

### **Family Relationship**

There are no family relationships up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers or persons nominated or chosen by the registrant to become directors or executive officers.

### **Involvement of Directors and Officers in Certain Legal Proceedings**

During the past five (5) years and until **March 31, 2011**, the members of the Board of Directors and the executive officers:

- a) have not filed any bankruptcy petitions or have not had bankruptcy petitions filed against them;
- b) have not been convicted by final judgment or have any pending criminal cases;
- c) have not been subject to any order, judgment or decree, or any court of competent jurisdiction (in a civil action), not subsequently reversed or vacated limiting its involvement in any type of business, securities, commodities or banking activities; and
- d) have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law.

**Item 10. Executive Compensation**

Information as to the aggregate compensation consisting of salaries, bonuses and other annual compensation paid or accrued during the last two fiscal years and to be paid in the ensuing year to the Company's President & General Manager and other four most highly compensated executive officers and other officers and directors (as a group unnamed) are as follows:

NAME & PRINCIPAL POSITION	YEAR	SALARIES	BONUS	TOTAL
Mr. F. R. Billano President and General Manager	2011(Estimate)	31,071,506	11,712,085	42,783,591
Mr. Joseph G. Soliman Vice-President for Operations				
Mr. Ruth F Tan Corporate Human Resources Manager				
Ms. C. T. Francisco Chief Financial Officer				
Ms. H. F. Tanwangco Quality Assurance Manager				
Mr. F. R. Billano President and General Manager	2010(Actual)	30,035,794	10,934,479	40,970,273
Ms. Ruth F. Tan Corporate Human Resources Manager				
Ms. H. F. Tanwangco Quality Assurance Manager				
Ms. C. T. Francisco Chief Financial Officer				
Mr. Joseph G. Soliman Vice President for Operations				
Mr. F. R. Billano President and General Manager	2009(Actual)	25,915,260	7,519,111	33,434,371
Ms. Ruth F. Tan Corporate Human Resources Manager				
Ms. H. F. Tanwangco Quality Assurance Manager				
Ms. C. T. Francisco Chief Financial Officer				
Mr. Joseph G. Soliman Vice President for Operations				
All officers and directors as a group unnamed	2011(Estimate)	31,071,506	11,712,085	42,783,591
	2010(Actual)	30,035,794	10,934,479	40,970,273
	2009(Actual)	25,915,260	7,519,111	33,434,371
		60	111	4,371

Except for the regular Company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from the Company, the above-mentioned officers do not receive any other compensation in the form of warrants, options or rights to purchase any securities. The amount accrued for retirement plan benefits for the above officers in 2010 is ₱ 0.873 million.

**Compensation of Directors**

Directors are paid a per diem of ₱15,000 per month.

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

None.

**Warrants and Options Outstanding**

The Company has no outstanding stock warrants or stock options.

**Item 11. Security Ownership of Certain Beneficial Owners and Management****(1) Security Ownership of Certain Record and Beneficial Owners**

As of March 31, 2011, Manchester International Holdings Unlimited Corp (formerly Interphil Laboratories, Inc.) knows of no one who beneficially owns in excess of 5% of the Company's common stock except as set forth below:

Title	Name and Address of Record/ Beneficial Owner	Relationship to Issuer	Citizenship	No of Shares Held	Percent to Outstanding Shares
Common "A"	Interpharma Holdings & Management Corporation Unit 310, 3/F Atrium Building, Makati Avenue, City Kasigod V. Jamias (designated representative)	Stockholder	Filipino	255,264,483 of record	61.95%
Common "B"	Khatibi Holdings Limited c/o Zuellig Building, Makati City c/o Unit 310, 3/F Atrium Building, Makati Avenue, Makati City Kasigod V. Jamias (designated representative)	Stockholder	British	128,208,993 of record	31.11%

<sup>1</sup>Interpharma Holdings & Management Corporation's representative authorized to direct the voting of the shares in behalf of the Corporation is Mr. Kasigod V. Jamias.

**Security Ownership of Management**

Following are the securities owned and held by directors and executive officers of the Company as of March 31, 2011:

Title Common	Name of Beneficial Owner	Citizenship	Amount and Nature of Record/Beneficial Ownership	Percent to Total Outstanding Shares
<b>Directors</b>				
"B"	Francisco R. Billano	Filipino	17,773 of record	.0043131587%
"A & B"	Kasigod V. Jamias	Filipino	570,861 of record	.1385367745%
"A"	Jose O. Juliano	Filipino	13,267 of record	.0032196408%
"A"	Paul Kleiner	Filipino	2,017 of record	.0004894864%
"B"	Renato B. Magadia	Filipino	273 of record	.0000662517%
"B"	Ricardo J. Romulo	Filipino	125 of record	.0000303350%
"B"	Salvador C. Medialdea	Filipino	125 of record	.0000303350%
"B"	Ramon Y. Dimacali	Filipino	25 of record	.0000060670%

Title Common	Name of Beneficial Owner	Citizenship	Amount and Nature of Record/Beneficial Ownership	Percent to Total Outstanding Shares
<b>Executive Officers</b>				
"B"	Francisco R. Billano	Filipino	17,773 of record	.0043131587%
"A & B"	Kasigod V. Jamias	Filipino	570,861 of record	.1385367745%
"A"	Jose O. Juliano	Filipino	13,267 of record	.0032196408%
"B"	Ricardo J. Romulo	Filipino	125 of record	.0000303350%

***Beneficial Ownership of Directors and Officers (as a group unnamed):***

TITLE OF CLASS	AMOUNT OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common Class A	479,801	.116438%
Common Class B	124,665	.030254%

There are no voting trust holders of 5% or more of the common shares.

There were no arrangements which have resulted in a change in control of the Company in the last fiscal year.

**Item 12. Certain Relationships and Related Transactions**

Related transactions were described in page 2 of this report under the heading "Related Parties".

**PART IV – CORPORATE GOVERNANCE**

The Company has adopted a Manual of Corporate Governance ("Manual") which was filed with and duly approved by the Securities and Exchange Commission (SEC). In accordance with the provisions of the Manual, the Company is required to assess compliance of its Board of Directors and management annually.

In addition, the Compliance Officer is required to prepare an annual certification on the Company's compliance with the provisions of the Manual explaining reasons for any deviation.

There has been no material deviation from the Company's Manual in 2010.

The Company has participated in the recent Corporate Governance Survey pursuant to SEC Memorandum Circular No. 2 Series of 2007, having submitted to the Securities and Exchange Commission copy of the Company's 2010 Corporate Governance Scorecard for Publicly-listed Companies.

The Company encourages its directors and management to attend and participate in training programs and seminars on good corporate governance.

**PART V - EXHIBITS AND SCHEDULES**

**Item 13. Exhibits and Reports on SEC Form 17-C**

(a) **Exhibits** - See accompanying Index to Exhibits (page 128).



**(b) Reports on SEC Form 17-C**

- March 2, 2010      Reported the nomination of the following stockholders as directors of Manchester International Holdings Unlimited Corporation for fiscal year 2010-2011:
1. Francisco R. Billano
  2. Ramon Y. Dimacali
  3. Gordon Emslie
  4. Kasigod V. Jamias
  5. Jose O. Juliano
  6. Paul Kleiner
  7. Renato B. Magadia
  8. Salvador Medialdea
  9. Ricardo J. Romulo
- Postponement of the Annual Stockholders' Meeting from May 3, 2010 to June 11, 2010  
Setting of record date to April 20, 2010.
- May 27, 2010      Informs the Commission that the Notice for the 2010 Annual Stockholders' Meeting sent to stockholders had erroneously stated that June 11, 2010 is a Monday, to correct said error the Corporation commits to publish in a newspaper a notice advising the stockholders of the correct date of the Annual Stockholders' Meeting which is June 11, 2010, Friday at 3:00 P.M. at the Dona Juana Garden Resort Clubhouse, East Emerald, Banay-Banay, Cabuyao, Laguna.
- June 2, 2010      Provides the Commission a copy of the Notice published on June 1, 2010 advising the stockholders of the date of the Company's Annual Stockholders' Meeting which is June 11, 2010, Friday, at 3:00 P.M. at the Dona Juana Garden Resort Clubhouse, East Emerald, Banay-Banay, Cabuyao, Laguna.
- June 11, 2010      Reported the election of the following as directors of Manchester International Holdings Unlimited Corporation for fiscal year 2010-2011:
1. Francisco R. Billano
  2. Ramon Y. Dimacali
  3. Gordon Emslie
  4. Kasigod V. Jamias
  5. Jose O. Juliano (independent director)
  6. Paul Kleiner
  7. Renato B. Magadia
  8. Salvador Medialdea (independent director)
  9. Ricardo J. Romulo
- Reported the election of the following as corporate officers of the Corporation:
- |                      |   |                           |
|----------------------|---|---------------------------|
| Ricardo J. Romulo    | - | Chairman                  |
| Jose O. Juliano      | - | Vice-Chairman             |
| Francisco R. Billano | - | President/General Manager |
| Kasigod V. Jamias    | - | Treasurer                 |
| Carmen T. Francisco  | - | Chief Financial Officer   |
| Ana Liza A. Peralta  | - | Corporate Secretary       |
- Amendments of the By-Laws of the Corporation, to wit:
- a. Article V, Section 1, changing the annual meeting of the Corporation from 4:00 o'clock P. M. on the First Monday of May to 3:00 o'clock P.M. on the Third Friday of June; and
  - b. Article VII, Section 1, changing the corporate seal of the Corporation from "Interphil Laboratories, Inc. to Manchester International Holdings Unlimited Corporation".
- June 23, 2010      Reported the resignation of Gordon Emslie as Director of the Company

July 8, 2010                      Reported that effective July 1, 2010, all shares of Manchester International Holdings Unlimited Corporation held in the name of the depository nominee company, PCD Nominee Corporation, are issued in uncertificated form or without any jumbo or mother Certificate and that its transfer agent, Bank of the Philippine Islands, has the capacity and capability to handle the issuance and transfer of the above shares.

**OTHER REPORTS/DISCLOSURES SUBMITTED TO PSE/SEC**

December 14, 2010              Certification confirming the Company's compliance to its Manual of Corporate Governance.

December 22, 2010              Submit Certification signed and executed by the Company's independent directors.

January 26, 2011                Certification of the Company Directors' attendance to its special and regular board meetings from January 1, 2010 to December 23, 2010.

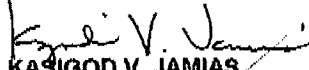
March 14, 2011                 Reported to the Exchange that the calamity in Japan has no effect on the operations of Manchester International Holdings Unlimited Corporation nor of its subsidiaries.

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP**  
**(formerly INTERPHIL LABORATORIES, INC.)**  
Issuer

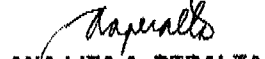
**SIGNATURES**

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

APR 29 2011 on \_\_\_\_\_, 20\_\_.

  
**KASIGOD V. JAMIAS**  
 Treasurer

  
**FRANCISCO R. BILLANO**  
 President & General Manager

  
**ANA LIZA A. PERALTA**  
 Corporate Secretary


  
**CARMEN T. FRANCISCO**  
 Chief Financial Officer

APR 29 2011

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ affiant(s) exhibiting to me his/their Community Tax Certificates, as follows:

NAMES	C. T. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Mr. Kasigod V. Jamias	08010538	February 24, 2011	Makati
Atty. Ana Liza A. Peralta	06690927	January 6, 2011	San Marcelino, Zambales
Mr. Francisco R. Billano	01297090	January 19, 2011	Manila
Ms. Carmen T. Francisco	01297089	January 19, 2011	Manila

DOC. NO. : 378  
 PAGE NO. : 72  
 BOOK NO. : 88  
 SERIES OF 2011

  
**ATTY. GERVACIO B. ORTIZ JR.**  
 NOTARY PUBLIC FOR MAKATI CITY  
 UNTN Notary Public 31, 2011  
 ROLL OF ATTORNEY 40091  
 MCLE COMPLIANCE NO. III-0014282  
 IBP NO. 656155 - LIFETIME MEMBER  
 PTR NO. 2641658 JAN. 3, 2011 MAKATI CITY

**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP**  
**(formerly INTERPHIL LABORATORIES, INC.)**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

**FORM 17-A, Item 7**

	<u>Page No.</u>
<b>Financial Statements</b>	
Statement of Management's Responsibility for Consolidated Financial Statements	35-36
Report of Independent Public Accountants	37-38
Consolidated Balance Sheets as of December 31, 2010 and 2009	39
Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008	40
Consolidated Statements of Changes in Equity for the years ended December 31, 2010, 2009 and 2008	41
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	42-43
Notes to Consolidated Financial Statements	44-82
<b>Supplementary Schedules</b>	
Report of Independent Public Accountants on Supplementary Schedules	83
A. Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	84
C. Non-current Marketable Equity Securities, Other Long-term Investments, and Other Investments	*
D. Indebtedness to Unconsolidated Subsidiaries and Affiliates	*
E. Intangible Assets - Other Assets	*
F. Long-term Debt	*
G. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)	*
H. Guarantees of Securities of Other Issuers	*
I. Capital Stock	85

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\* *These schedules, which are required by RSA Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's financial statements or the notes to financial statements.*



SyCip Gorres Velayo & Co.  
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Fax: (632) 819 0872  
www.sgv.com.ph

BOA/PRC Reg No 0001  
SEC Accreditation No. 0012-FR-2

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

Manchester International Holdings Unlimited Corporation  
Canlubang Industrial Estate  
Bo. Pittland, Cabuyao, Laguna

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manchester International Holdings Unlimited Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 15, 2011. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management and are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Roel E. Lucas*

Roel E. Lucas

Partner

CPA Certificate No. 98200

SEC Accreditation No. 1079-A

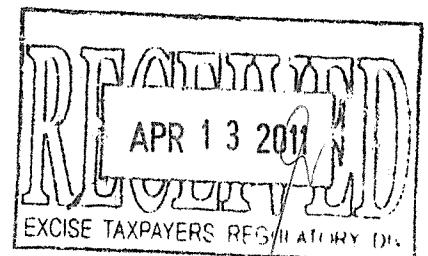
Tax Identification No. 191-180-015

BIR Accreditation No. 08-001998-95-2011,

February 4, 2011, Valid until February 3, 2014

PTR No. 2641536, January 3, 2011, Makati City

March 15, 2011



INTERPHIL LABORATORIES, INC.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)  
For the Year Ended December 31, 2010

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non Current	Ending Balance
			Amount Collected	Amount Written-Off			
Camba, Ma. Jaele	Department Manager-Human Resources	P 140,000	P -	P 140,000	P -	P -	P -
Cercado, Danilo	Department Manager-Dry Products Pkg	57,500	-	57,500	-	-	-
Guinto, Dominador	Department Manager-IT	245,000	-	60,000	60,000	125,000	185,000
Hitchon, Rupert	Department Manager-Liquids	150,000	492,488	60,000	60,000	522,488	582,488
Mangulabnan, Julie	Treasury Manager	-	300,000	32,500	-	60,000	267,500
Roasa, Alvin Ronan	Department Manager-Dry Products Manufacturing	-	300,000	30,000	-	60,000	270,000
Punongbayan, Alan	Department Manager - QA	179,753	40,000	105,000	-	54,753	114,753
Saile, Flordeliza	Department Manager-Quality Control	25,000	-	25,000	-	-	-
Soliven, Mario Carlo	Manager-Technical Services	230,000	-	60,000	60,000	110,000	170,000
Vergel de Dios, Alexander	Division Manager - Logistics	30,000	-	30,000	-	-	-
		P 1,057,253	P 1,132,488	P 600,000	P -	P 360,000	P 1,229,741
							P 1,589,741

Note: These receivables from officers and employees are presented as part of "Others" under "Trade and other receivables" account in the balance sheets.

INTERPHIL LABORATORIES, INC.  
 Schedule I. Capital Stock  
 December 31, 2010

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding*	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Class A	540,000,000	272,696,551	-	255,264,483	479,801	16,952,267
Class B	360,000,000	139,368,045	-	128,208,993	124,765	11,034,287
Total	900,000,000	412,064,596	-	383,473,476	604,566	27,986,554

\* Net of 150,435,404 shares in treasury consisting of:  
 - 64,803,449 Class "A" shares  
 - 85,631,955 Class "B" shares

INTERPHIL LABORATORIES, INC.

INDEX TO EXHIBITS

Form 17-A

<u>No.</u>		<u>Page No.</u>
(3)	Plan of Acquisition, Reorganization, Arrangements, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	87
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

\*These exhibits are either not applicable to the Company or require no answer.





REPUBLIC OF THE PHILIPPINES  
**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
City of Mandaluyong, Metro Manila

Company Reg. No. CS200801651

**CERTIFICATE OF FILING  
OF  
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the amended articles of incorporation of the

**INTERPHIL LABORATORIES, INC.**  
(Formerly: First Pharma Industries Phil., Inc.)  
(Amending Articles I, III & VII thereof.)

copy annexed, adopted on November 14, 2008 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Big. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong City, Metro Manila, Philippines, this 21<sup>st</sup> day of November, Two Thousand Eight.



  
**BENITO A. CATARAN**  
Director

Company Registration and Monitoring Department



AMENDED ARTICLES OF INCORPORATION

OF

**INTERPHIL LABORATORIES, INC.**  
(formerly First Pharma Industries Phil., Inc.)

**Know All Men By These Presents:**

The undersigned incorporators, all of legal age and majority of whom are residents of the Philippines, have this day voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines.

**THAT WE HEREBY CERTIFY:**

**FIRST:** The name of this corporation shall be

**INTERPHIL LABORATORIES, INC.**  
*(as amended on 14 November 2008)*

**SECOND:** A. That the primary purpose of this corporation is:

To manufacture, prepare, compound, process, package, buy and sell at wholesale, import, export, market and otherwise deal in all kinds of drugs, chemicals, patent; proprietary and other medicines, biological products, oils, dyestuffs, perfumeries, toilet goods and fancy toilet articles, fancy goods and novelties, cosmetics, druggists, sundries, soap, veterinary products, food and food products and generally to develop and otherwise deal in goods, articles, wares, merchandise and personal and real property of every kind.

**SECONDARY PURPOSES**

1. To engage in the manufacture, production, distribution, marketing and promotion of all kinds of goods, wares, specialty and gift items, products and merchandise in general; and in general, to carry on and undertake any business, transaction or operation commonly or normally carried on by a manufacturer, distributor, dealer, commercial broker, commission agent;
2. To carry on the business of importer and exporter as principals, factors, representatives, agents or commission merchants in respect of buying, selling and dealing in any and all kinds of goods, wares, products of all classes and description;
3. To own, apply for, obtain, register, buy, sell, hold, use, lease, or otherwise acquire and to the extent authorized by law, to hold, use, own, operate, develop and introduce, sell, assign and deal in patents, patent rights, trade marks, trade names, brands, distinctive marks, inventions, design, improvements and processes, and all privileges, rights, titles and interest pertaining thereto;

4. To the extent permitted by law, to purchase, hold, convey, sell, import, lease, let, mortgage, encumber, and otherwise deal with any and all kinds of real and personal property, including but not limited to lands, buildings, machinery, tools, trade marks, trade names, patents, licenses, concessions, copyrights, stocks, bonds, notes, securities or other obligations of any association or corporation, domestic or foreign, and all other interest in real or personal property;
5. To the extent permitted by law, to hold, purchase, or otherwise acquire, or to be interested in all or any and to sell, barter, exchange, assign, pledge, or otherwise dispose of, shares of the capital stock, bonds, notes, securities or other evidence of indebtedness issued or created by any Corporation, whether foreign or domestic, and whether now or hereafter organized and while the holder of any such shares of stock to exercise all rights and privileges of ownership, including the right to vote thereon, to the same extent as a juridical person or might could do;
6. To issue shares of the capital stock and/or obligations of the Corporation and/or options for the purchase of either thereon in payment for property acquired by the Corporation or for service rendered to the Corporation or for any other objects in and about its business, and to purchase, hold, sell, transfer, accept as security for loans and deal generally in shares of its capital stock and its obligations in every lawful manner;
7. To the extent permitted by law, to purchase, take over, manage or otherwise acquire the whole or any part of the property, assets, business, goodwill and rights of any person, firm, association or corporation, domestic or foreign, engaged in any business or enterprise which may lawfully be undertaken by the corporation, and to pay for the same in cash and/or other properties owned by this corporation and/or shares of the capital stock and/or obligations of the corporation, or otherwise and/or by undertaking and assuming the whole or any part of the indebtedness and obligations of the transferor, and to hold or in any manner dispose of the whole or any part of the property and assets so acquired and to conduct in any lawful manner the whole or any part of the business so acquired and to exercise all the powers necessary or convenient in and about the conduct, management and carrying on of such business;
8. To the extent permitted by law, to amalgamate, merge, consolidate, combine or unite with any other person, entity, firm, association or corporation, domestic or foreign, with object similar, analogous or subsidiary to any of the objects of the corporation, carrying on any business capable of being conducted so as to directly or indirectly benefit this corporation and to acquire, hold, and deal in shares of interest therein;
9. To borrow money and to incur indebtedness, without limit as to the amount and to issue bonds, debentures, debenture stocks, warrants, notes or other obligations therefore, and to secure the same by any lien, charge, grant, pledge, deed of trust of mortgage of the whole or any part of the real and/or personal property to the corporation then owned and/or thereafter to be acquired, and to issue bonds, debentures, debenture stocks, warrants, notes or other obligations without any such security;

10. To draw, make, accept, endorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrants of all kinds, obligations and certificates and negotiable or transferable instruments, with or without security, and to guarantee the debts or obligations or others, and to provide security on bonds, of others; provided, however, that nothing herein shall be deemed to authorize the Corporation to engage in the banking, surety or bonding business;
11. To promote or to aid in any manner financially or otherwise, any corporation or association any of whose stock or obligations are held directly or indirectly by this Corporation, and to guarantee the whole or any part of the indebtedness and obligations of any such other corporation or association and the payment of dividend on its stock, and to do any other acts or things designed to protect, preserve, improve or enhance the value of such stocks or obligations;
12. To grant, bargain, sell, convey, transfer, assign, set over and/or deliver to any other corporation, whether formed for that purpose or otherwise, whether organized under the laws of the Republic of the Philippines or otherwise, and whether or not owning the other property, all or substantially all of the assets of this corporation, for cash and/or other property and/or shares of the capital stock and/or securities of such other corporation and/or the assumption of all or any part of the indebtedness and obligations of this Corporation and in connection with any such transaction to enter into agreements with such other corporation or others;
13. To acquire and obtain from any government authority, national or local, or from any corporation, association, partnership, or person such charters, franchises, permits, licenses, privileges, rights, and easements which may be necessary, proper, incidental or conducive to the attainment of any of the purposes or objects for which the corporation is organized or which may directly or indirectly enhance the value of its properties;
14. Without in any particular limiting the powers of the Corporation, it is hereby expressly declared and provided that the corporation shall have the power to make, perform, and carry out contracts of every sort and kind with any person, firm or corporation, private, public or municipal or body politic, and with the Government of the United States or of any states, territory or possession thereof, of any foreign government; to have one or more offices out of the Philippines, and to conduct its business and exercise its powers in any part of the Philippines or in any other country, state or territory; and, in carrying on its business, to do any and all acts and things and to exercise any and all powers which may be necessary or convenient to the accomplishment of furtherance of its business or which a juridical person could do and exercise and which now or hereafter may be authorized by law;
15. To carry out any and other lawful activities whatsoever which may seem to the corporation capable of being carried on in connection with the foregoing purposes and powers, or calculated directly or indirectly to promote the interests of the corporation or to enhance the value of its properties, and to have, enjoy and exercise all the rights, powers and privileges which are now or which may hereafter be conferred upon similar corporations organized under the laws of the Republic of the Philippines;

The foregoing clauses shall each be construed as purposes and powers and the matters expressed in each clause or any part of any clause shall be in no wise limited by reference to or influence from any other clause or any other part of the same clause but shall be regarded as independent purposes and powers, and the enumeration of specific purposes and powers shall not be construed to limit or restrict in any manner the meaning of the general purposes and powers of the corporation nor shall the expression of one thing be deemed exclude another, although it be of like nature, not expressed. Likewise, the purposes and powers specified in each of the foregoing clauses shall not be regarded in any manner as a limitation of the powers granted or allowed to and exercisable by this corporation under the Corporation Law of the Republic of the Philippines.

B. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

**THIRD:** That the place where the principal office of the corporation is to be established is at: Canlubang Industrial Estate, Barrio Pittland, Cabuyao, Laguna. *(As amended on 14 November 2008)*

**FOURTH:** That the term for which the corporation is to exist is fifty (50) years from and after date of issuance of the certificate of incorporation.

**FIFTH:** That the names, nationalities and residences of the incorporators are as follows:

Name	Nationality	Residence (Complete Address)
Avelino M. Sebastian, Jr.	Filipino	41 Swallow Drive, Greenmeadows Quezon City
Jesus A. Liganor	Filipino	219 J.P. Rizal St., Project 4, Quezon City
Jon Michael P. Alamis	Filipino	20 Mascardo St., Project 4, Quezon City
Fernando S. Maronilla	Filipino	178 Soliven Ave., Greenheights Subd. Nangka, Marikina, Metro Manila
Andreлина G. Monis	Filipino	47-C Rand St., Villa Carolina, Tunasan\ Muntinlupa City

**SIXTH:** That the number of directors of the corporation is Five (5) who are also the incorporators.

**SEVENTH:** That the authorized capital stock of the corporation is ONE HUNDRED THIRTY-FIVE MILLION (Php135,000,000.00.00) PESOS in lawful money of the Philippines, divided into ONE MILLION THREE HUNDRED FIFTY THOUSAND (1,350,000) shares with a par value of ONE HUNDRED PESOS (Php100.00) pesos per share. *(As amended on 14 November 2008)*

**EIGHTH:** That the subscribers to the capital stock and the amount paid-in to their subscription are as follows:

Names	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Avelino M. Sebastian, Jr.	Filipino	39	3,900.00	3,900.00
Jesus A. Liganor	Filipino	20	2,000.00	2,000.00
Jon Michael P. Alamis	Filipino	20	2,000.00	2,000.00
Fernando S. Maronilla	Filipino	20	2,000.00	2,000.00
Andreлина G. Monis	Filipino	1	100.00	100.00
Total		100	10,000.00	10,000.00

**NINTH:** That no transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of corporation and this restriction shall be indicated in the stocks certificates issued by the corporation.

**TENTH:** That Jon Michael P. Alamis has been elected by the subscribers as treasurer of the corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

**ELEVENTH:** That the corporation manifests its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to use the said firm name or one deceptively or confusingly similar to it.

In Witness whereof, we have set our hands this 16 January 2008 at the City of Pasig.

(Sgd.) AVELINO M. SEBASTIAN, JR.  
TIN # 107-277-748

(Sgd.) JESUS A. LIGANOR  
TIN#120-869-736

(Sgd.) JON MICHAEL P. ALAMIS  
TIN# 190-894-444

(Sgd.) FERNANDO MARONILLA  
TIN#213-981-867

(Sgd.) ANDRELINA G. MONIS  
TIN#123-103-168

WITNESSES:

(Illegible)

(Illegible)

**ACKNOWLEDGMENT**

REPUBLIC OF THE PHILIPPINES  
City of Pasig

S.S.

BEFORE ME, a Notary Public in and for City of Pasig, Philippines, this 21 January 2008 personally appeared:

<b>Name</b>	<b>Community Tax Certificate No.</b>	<b>Date &amp; Place Issued</b>
AVELINO M. SEBASTIAN, JR.	10170663	1-03-08; Pasig City
JESUS A. LIGANOR	10170658	1-03-08; Pasig City
JON MICHAEL P. ALAMIS	10170654	1-03-08; Pasig City
FERNANDO S. MARONILLA	10170659	1-03-08; Pasig City
ANDRELINA G. MONIS	10170660	1-03-08; Pasig City

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

(Sgd.) ELEAZAR H. ALMALBIS  
Commission No. 66  
Notary Public for Pasig City  
1409 East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center, Pasig City  
Roll No. 48412  
PTR No. 3635309; 1-03-07; Pasig City  
IBP No. 701949; 1-10-07

Doc.No. 160  
Page No. 33  
Book No. I  
Series of 2008.





REPUBLIC OF THE PHILIPPINES  
**SECURITIES AND EXCHANGE COMMISSION**  
 SEC Building, EDSA, Greenhills  
 City of Mandaluyong, Metro Manila

Company Reg. No. CS200801929

**CERTIFICATE OF FILING  
 OF  
 AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the amended articles of incorporation of the

**LANCASHIRE REALTY HOLDING CORP.**  
 (Amending Articles III & VII thereof.)

copy annexed, adopted on November 14, 2008 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong City, Metro Manila, Philippines, this 21st day of November, Two Thousand Eight.



*Benito A. Cataran*  
**BENITO A. CATARAN**  
 Director

Company Registration and Monitoring Department





**AMENDED ARTICLES OF INCORPORATION**  
**OF**  
**LANCASHIRE REALTY HOLDING CORP**

**Know All Men By These Presents:**

The undersigned incorporators, all of legal age and majority of whom are residents of the Philippines, have this day voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines.

**THAT WE HEREBY CERTIFY:**

**FIRST:** The name of this corporation shall be

**LANCASHIRE REALTY HOLDING CORP**

**SECOND:** A. That the primary purpose of this corporation is:

To invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal properties of every kind, nature and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized, and to pay therefore in money or by exchanging therefore stocks, bonds and other evidence of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations to receive, collect and dispose the interest, dividends, and income arising from such property; to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned;

B. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

**THIRD:** That the place where the principal office of the corporation is to be established at: Canlubang Industrial Estate, Barrio Pittland, Cabuyao, Laguna (*As amended on 14 November 2008*)

**FOURTH:** That the term for which the corporation is to exist is fifty (50) years from and after the date of issuance of the certificate of incorporation.

**FIFTH:** That the names, nationalities and residences of the incorporators are as follows:

<b>Name</b>	<b>Nationality</b>	<b>Residence (Complete Address)</b>
AVELINO M. SEBASTIAN, JR.	Filipino	41 Swallow Drive, Greenmeadows Quezon City
JESUS A. LIGANOR	Filipino	219 J.P. Rizal Street, Project 4 Quezon City
JON MICHAEL P. ALAMIS	Filipino	20 Mascardo Street, Project 4 Quezon City
FERNANDO S. MARONILLA	Filipino	178 Soliven Avenue, Greenheights Subd. Nangka, Marikina, Metro Manila
ANDRELINA G. MONIS	Filipino	47-C Rand Street, Villa Carolina Tunasan, Muntinlupa City

**SIXTH:** That the number of directors of said corporation shall be five (5) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

<b>Name</b>	<b>Nationality</b>	<b>Residence (Complete Address)</b>
AVELINO M. SEBASTIAN, JR.	Filipino	41 Swallow Drive, Greenmeadows Quezon City
JESUS A. LIGANOR	Filipino	219 J.P. Rizal Street, Project 4 Quezon City
JON MICHAEL P. ALAMIS	Filipino	20 Mascardo Street, Project 4 Quezon City
FERNANDO S. MARONILLA	Filipino	178 Soliven Avenue, Greenheights Subd. Nangka, Marikina, Metro Manila
ANDRELINA G. MONIS	Filipino	47-C Rand Street, Villa Carolina Tunasan, Muntinlupa City

**SEVENTH:** That the authorized capital stock of the corporation is THIRTY MILLION (Php30,000,000.00) pesos in lawful money of the Philippines, divided into THREE HUNDRED THOUSAND (300,000) shares with a par value of ONE HUNDRED PESOS (Php100.00) pesos per share. *(As amended on 14 November 2008)*

**EIGHTH:** That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Names	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
AVELINO M. SEBASTIAN, JR.	Filipino	39	3,900	3,900
JESUS A. LIGANOR	Filipino	20	2,000	2,000
JON MICHAEL P. ALAMIS	Filipino	20	2,000	2,000
FERNANDO S. MARONILLA	Filipino	20	2,000	2,000
ANDRELINA G. MONIS	Filipino	1	100	100
		100	10,000	10,000

**NINTH:** No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of corporation and this restriction shall be indicated in the stocks certificates issued by the corporation.

**TENTH:** JON MICHAEL P. ALAMIS has been elected by the subscribers as treasurer of the corporation to act as such until his/her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

**ELEVENTH:** That the corporation manifests its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to use the said firm name or one deceptively or confusingly similar to it.

IN WITNESS WHEREOF, we have set our hands this 16<sup>th</sup> day of January 2008 at City of Pasig.

(Sgd.) AVELINO M. SEBASTIAN, JR.  
TIN # 107-277-748

(Sgd.) JESUS A. LIGANOR  
TIN#120-869-736

(Sgd.) JON MICHAEL P. ALAMIS  
TIN# 190-894-444

(Sgd.) FERNANDO MARONILLA  
TIN#213-981-867

(Sgd.) ANDRELINA G. MONIS  
TIN#123-103-168

WITNESSES:

(Illegible)

(Illegible)

## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES

S.S.

BEFORE ME, a Notary Public in and for City of Pasig, Philippines, this 21<sup>st</sup> day of January 2008 personally appeared:

Name	Community Tax Certificate No.	Date & Place Issued
Avelino M. Sebastian, Jr.	10170663	1-03-08; Pasig City
Jesus A. Liganor	10170658	1-03-08; Pasig City
Jon Michael P. Alamis	10170654	1-03-08; Pasig City
Fernando S. Maronilla	10170659	1-03-08; Pasig City
Andrelina G. Monis	10170660	1-03-08; Pasig City

all known to me and to me known be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

(Sgd.) ELEAZAR H. ALMALBIS  
 Commission No. 66  
 Notary Public for Pasig City  
 Until December 21, 2008  
 1409 E. Philippine Stock Exchange Centre  
 Exchange Road, Ortigas Center, Pasig City  
 Roll No. 48412  
 PTR No. 3635309; 1-03-07, Pasig City  
 IBP No. 70184871; 1-10-07, RSM Chapter

Doc. No. 194  
 Page No. 40  
 Book No. I  
 Series of 2008

REPUBLIC OF THE PHILIPPINES  
Pasig City

s.s.

**TREASURER'S AFFIDAVIT**


I, **JON MICHAEL P. ALAMIS**, Filipino, of legal age, with office address at 1409 East Tower, Philippine Stock Exchange Centre, Exchange Road, Pasig City, after having sworn in accordance with law, hereby depose and state:

1. I am duly elected Treasurer of **LANCASHIRE REALTY HOLDING CORP.** (the "Company") at the time of the filing of the Certificate of Increase of Authorized Capital Stock of the Corporation.
2. The authorized capital stock ("ACS") of the Company was increased from PESOS TEN THOUSAND (Php10,000.00) divided into 100 shares each with a par value of Php100.00 to PESOS THIRTY MILLION (Php30,000,000.00) divided into 300,000 shares, each with a par value of Php100.00.
3. Out of the increase in ACS, Manchester International Holdings Unlimited Corporation (hereafter "Manchester" and formerly Interphil Laboratories, Inc.), a public corporation duly organized and existing under Philippine laws, subscribed to PESOS TWENTY-EIGHT MILLION (Php28,000,000.00) equivalent to 280,000 shares. In full payment therefor, Manchester transferred, conveyed and assigned to the Company that certain parcel of land located at Canlubang Industrial Estate, Barrio Pittland, Cabuyao, Laguna, with an area of 50,365 square meters, more or less, and covered by Transfer Certificate of Title No. 115286 issued by the Register of Deeds for the Province of Laguna.
4. Approximately ninety-three percent (93%) of the increase in ACS was subscribed and fully paid by Manchester.

  
**JON MICHAEL P. ALAMIS**  
Affiant

SUBSCRIBED AND SWORN to before me this 15<sup>th</sup> day of November 2008 at the City of Pasig, Affiant exhibiting to me his Community Tax Certificate No. 10170654, issued on January 3, 2008 at Pasig City.

Doc. No. 15 ;  
Page No. 4 ;  
Book No. I ;  
Series of 2008.

  
**IAN CHRISTIAN M. VALENCIA**  
COMMISSION NO. 179  
NOTARY PUBLIC FOR PASIG CITY  
UNTIL DECEMBER 31, 2009  
1409 PHILIPPINE STOCK EXCHANGE CENTRE  
EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY  
ROLL NO. 55769  
PTR NO. 4614066; 5-09-08; PASIG CITY  
IBP NO. 750415; 4-14-08; 750

COVER SHEET

5 8 6 4 8

SEC Registration Number

MANCHESTER INTERNATIONAL HOLDINGS  
UNLIMITED CORPORATION AND SUBSID  
IARIES

(Company's Full Name)

Canlubang Industrial Estate, Bo.  
Pittland, Cabuyao, Laguna

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

Ms. Carmen T. Francisco

(Contact Person)

(049) 549-23-45 to 49  
(049) 549-30-96 to 98

(Company Telephone Number)

1 2 3 1

Month Day  
(Fiscal Year)

A A C F S

(Form Type)

0 6 1 1

Month Day  
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

533

Total No. of Stockholders

-

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
LCU

Document ID

\_\_\_\_\_  
Cashier

RECEIVED  
APR 13 2011  
EXCISE TAXPAYERS REGULATORY DIV

STAMPS

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

March 15, 2011

Management is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2009 and 2010 in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

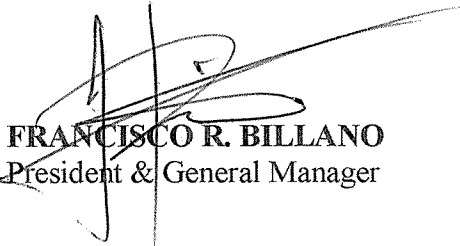
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

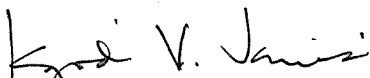
SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Stockholders and the Board of Directors.



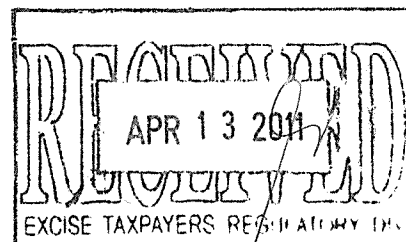
**RICARDO J. ROMULO**  
Chairman



**FRANCISCO R. BILLANO**  
President & General Manager



**KASIGOD V. JAMIAS**  
Treasurer



SUBSCRIBED AND SWORN to before me this APR 10 2011 day of 10 2011 affiant(s) exhibiting to me his/their Community Tax Certificates, as follows:

NAMES	C. T. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Mr. Ricardo J. Romulo	05955779	January 14, 2011	Makati
Mr. Francisco R. Billano	01297090	January 19, 2011	Manila
Mr. Kasigod V. Jamias	06010538	February 24, 2011	Makati

~~ATTY. GERVAZIO J. ORTIZ JR.~~  
~~NOTARY PUBLIC FOR~~ **Notary Public**  
UNTIL DECEMBER 31, 2011  
ROLL OF ATTORNEY 40091  
MCLE COMPLIANCE NO. III-0014282  
IBP NO. 656155 - LIFETIME MEMBER  
PTR NO. 2641658 JAN. 3, 2011 MAKATI CITY

Doc. No. 189  
Page No. 39  
Book No. 214  
Series of 2011.



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Manchester International Holdings Unlimited Corporation  
Canlubang Industrial Estate  
Bo. Pittland, Cabuyao, Laguna

We have audited the accompanying consolidated financial statements of Manchester International Holdings Unlimited Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

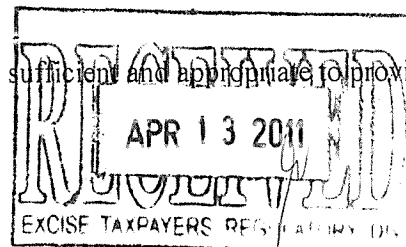
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements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

### *Auditors' Responsibility*

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

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

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



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manchester International Holdings Unlimited Corporation and Subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Roel E. Lucas*

Roel E. Lucas

Partner

CPA Certificate No. 98200

SEC Accreditation No. 1079-A

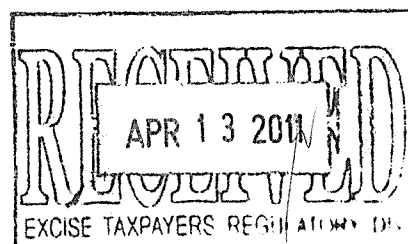
Tax Identification No. 191-180-015

BIR Accreditation No. 08-001998-95-2011,

February 4, 2011, Valid until February 3, 2014

PTR No. 2641536, January 3, 2011, Makati City

March 15, 2011



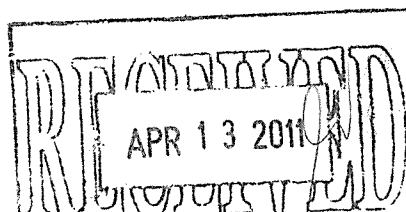
**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION  
AND SUBSIDIARIES**

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**CONSOLIDATED BALANCE SHEETS**

	December 31	
	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5, 23 and 24)	₱342,030,954	₱249,272,878
Trade and other receivables (Notes 6, 18, 23 and 24)	279,555,424	322,394,589
Inventories (Note 7)	156,839,442	199,646,191
Advances to suppliers and other current assets (Notes 8 and 18)	34,979,835	25,608,857
Total Current Assets	813,405,655	796,922,515
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 9)	437,089,720	490,900,240
Land at revalued amount (Note 10)	112,195,000	112,195,000
Other noncurrent assets (Notes 11, 23 and 24)	4,662,080	4,338,635
Total Noncurrent Assets	553,946,800	607,433,875
	₱1,367,352,455	₱1,404,356,390
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable (Notes 12, 23 and 24)	₱-	₱130,000,000
Trade and other payables (Notes 13, 23 and 24)	323,712,436	356,032,333
Output tax payable	28,696,213	32,157,016
Income tax payable	-	32,880
Total Current Liabilities	352,408,649	518,222,229
<b>Noncurrent Liabilities</b>		
Deferred tax liabilities - net (Note 19)	5,748,891	753,935
Retirement and long-term sick leave benefits liability (Notes 18 and 20)	35,022,280	45,788,379
Total Noncurrent Liabilities	40,771,171	46,542,314
<b>Equity</b>		
Capital stock (Note 14)	562,500,000	562,500,000
Additional paid-in capital	51,629,327	51,629,327
Revaluation increment in land - net of deferred tax liability of ₱26.0 million (Note 10)	60,617,200	60,617,200
Retained earnings (Note 14)	587,940,235	453,359,447
Cost of treasury shares held (Note 14)	(288,514,127)	(288,514,127)
Total Equity	974,172,635	839,591,847
	₱1,367,352,455	₱1,404,356,390

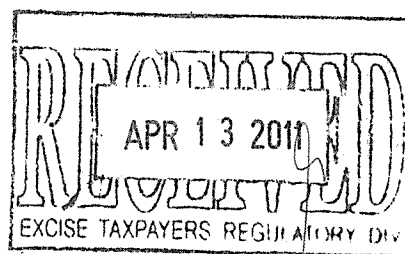
*See accompanying Notes to Consolidated Financial Statements.*



**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION  
AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2010	2009	2008
<b>REVENUES</b> (Note 18)	<b>₱1,832,976,274</b>	<b>₱1,983,961,591</b>	<b>₱2,158,528,524</b>
<b>COST OF SALES AND SERVICES</b> (Notes 9, 15, 17, 18, 20 and 22)	<b>1,466,576,205</b>	<b>1,548,498,900</b>	<b>1,807,064,679</b>
<b>GROSS INCOME</b>	<b>366,400,069</b>	<b>435,462,691</b>	<b>351,463,845</b>
Operating expenses (Notes 6, 9, 16, 17, 18, 20 and 22)	<b>(187,058,563)</b>	<b>(211,298,395)</b>	<b>(252,906,129)</b>
Interest expense (Note 12)	<b>(4,966,992)</b>	<b>(25,946,871)</b>	<b>(36,004,033)</b>
Interest income (Note 5)	<b>3,209,630</b>	<b>3,036,989</b>	<b>1,567,626</b>
Foreign exchange gain (loss) - net (Note 23)	<b>(14,570,183)</b>	<b>(4,973,081)</b>	<b>520,494</b>
Equity in net income (loss) of a joint venture (Note 11)	<b>7,709,043</b>	<b>612,551</b>	<b>(289,155)</b>
Other income (expense) - net (Notes 6, 7 and 18)	<b>17,190,619</b>	<b>20,005,061</b>	<b>(127,800)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>187,913,623</b>	<b>216,898,945</b>	<b>64,224,848</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 19)			
Current	<b>48,337,879</b>	<b>104,952,563</b>	<b>8,599,517</b>
Deferred	<b>4,994,956</b>	<b>(660,341)</b>	<b>(11,154,109)</b>
	<b>53,332,835</b>	<b>104,292,222</b>	<b>(2,554,592)</b>
<b>NET INCOME</b>	<b>134,580,788</b>	<b>112,606,723</b>	<b>66,779,440</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱134,580,788</b>	<b>₱112,606,723</b>	<b>₱66,779,440</b>
<b>Basic/Diluted Profit Per Share</b> (Note 21)	<b>₱0.327</b>	<b>₱0.273</b>	<b>₱0.162</b>

*See accompanying Notes to Consolidated Financial Statements.*

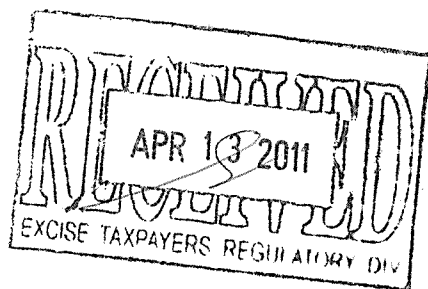


**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 14)		Additional Paid-in Capital	Revaluation Increment in Land (Note 10)	Retained Earnings (Note 14)	Cost of Treasury Shares Held (Note 14)	Total
	Class A	Class B					
Balance at January 1, 2010	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱453,359,447	(₱288,514,127)	₱839,591,847
Net income	-	-	-	-	134,580,788	-	134,580,788
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	134,580,788	-	134,580,788
Balance at December 31, 2010	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱587,940,235	(₱288,514,127)	₱974,172,635
Balance at January 1, 2009	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱340,752,724	(₱288,514,127)	₱726,985,124
Net income	-	-	-	-	112,606,723	-	112,606,723
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	112,606,723	-	112,606,723
Balance at December 31, 2009	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱453,359,447	(₱288,514,127)	₱839,591,847
Balance at January 1, 2008	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱273,973,284	(₱288,514,127)	₱660,205,684
Net income	-	-	-	-	66,779,440	-	66,779,440
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	66,779,440	-	66,779,440
Balance at December 31, 2008	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱340,752,724	(₱288,514,127)	₱726,985,124

See accompanying Notes to Consolidated Financial Statements.



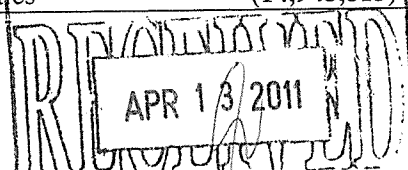
**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

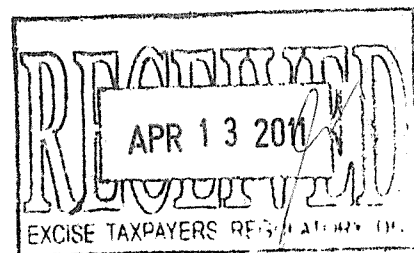
	Years Ended December 31		
	2010	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P187,913,623	P216,898,945	P64,224,848
Adjustments for:			
Depreciation and amortization (Note 9)	76,776,747	83,561,952	94,255,617
Interest expense (Note 12)	4,966,992	25,946,871	36,004,033
Interest income (Note 5)	(3,209,630)	(3,036,989)	(1,567,626)
Equity in net loss (income) of a joint venture (Note 11)	(7,709,043)	(612,551)	289,155
Loss (gain) on disposal of property, plant and equipment	(634,816)	1,868	-
Unrealized foreign exchange loss (gain) - net	(178,334)	(144,323)	1,008,901
Operating income before working capital changes	257,925,539	322,615,773	194,214,928
Provisions for:			
Retirement and long-term sick leave benefits (Notes 17 and 20)	13,126,954	12,581,939	30,094,834
Possible losses on creditable withholding tax (Note 16)	-	51,609,510	40,000,000
Reversal of prior year allowance on creditable withholding tax	(16,329,392)	-	-
Changes in current assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	42,839,165	41,248,033	(25,235,048)
Inventories	42,806,749	43,976,196	105,521,288
Advances to suppliers and other current assets	(9,370,978)	13,355,899	(22,171,441)
Increase (decrease) in:			
Trade and other payables payable	(32,325,356)	25,343,800	(45,083,644)
Output tax payable	(3,460,803)	4,902,650	4,519,419
Cash generated from operations	295,211,878	515,633,800	281,860,336
Income tax paid	(32,041,367)	(33,171,915)	(35,674,522)
Contribution to plan assets and payments of early retirement and long-term sick leave benefits (Notes 17 and 20)	(23,893,053)	(22,379,777)	(22,629,439)
Interest received	3,209,630	3,036,989	1,567,626
Net cash provided by operating activities	242,487,088	463,119,097	225,124,001
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property, plant and equipment (Note 9)	(22,966,227)	(30,399,557)	(24,285,203)
Decrease in noncurrent assets	7,385,598	16,529,345	2,892,520
Proceeds from sale of property, plant and equipment	634,816	34,446	-
Net cash used in investing activities	(14,945,813)	(13,835,766)	(21,392,683)

(Forward)



	Years Ended December 31		
	2010	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Notes payable	(P130,000,000)	(P400,000,000)	(P534,000,000)
Interest	(4,966,992)	(25,467,010)	(34,929,484)
Proceeds from availments of notes payable	-	130,000,000	400,000,000
Net cash used in financing activities	(134,966,992)	(295,467,010)	(168,929,484)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	183,793	123,580	5,461,444
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	92,758,076	153,939,901	40,263,278
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	249,272,878	95,332,977	55,069,699
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	P342,030,954	P249,272,878	P95,332,977

*See accompanying Notes to Consolidated Financial Statements.*



**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION  
AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

Manchester International Holdings Unlimited Corporation (Manchester or Parent Company), formerly Interphil Laboratories, Inc., and Subsidiaries (collectively referred to as the "Company") is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The registered office address of the Parent Company is Canlubang Industrial Estate, Bo. Pittland, Cabuyao, Laguna. The Parent Company is engaged in acquiring investments and securities.

The Parent Company's shares of stock are listed in the Philippine Stock Exchange.

The Company is 62%-owned by Interpharma Holdings and Management Corporation, a company incorporated in the Philippines.

The accompanying consolidated financial statements of the Company were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 15, 2011.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for land which is carried at revalued amount and available-for-sale financial asset which is carried at fair value. The consolidated financial statements are presented in Philippine peso, the Company's functional and presentation currency. All values are rounded off to the nearest peso, unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes both standard titles PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

Company	Percentage of Effective Ownership		Nature of Business
	2010	2009	
Interphil Laboratories, Inc.	100%	100%	Manufacturing
Lancashire Realty Holdings Corporation	100%	100%	Real Estate



All of the Company's subsidiaries were incorporated in the Philippines.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-company balances, income and expenses and unrealized gains and losses resulting from intra-company transactions are eliminated in full.

#### 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 acquisitions and that are subject to an insignificant risk of change in value.

#### Financial Assets and Liabilities

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

*Initial and Subsequent Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss, includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date. The Company has no financial assets or liabilities at fair value through profit or loss and held-to-maturity investments as of December 31, 2010 and 2009.

*Determination of Fair Value.* The fair value for financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

*“Day 1” Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” profit) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” profit amount.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees and costs that are an integral part of the effective interest. Gains and losses are recognized in the consolidated 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 reporting date otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Company’s cash and cash equivalents and trade and other receivables (see Note 24). The carrying values and fair values of the loans and receivables are disclosed in Note 24.

*Available-for-sale Financial Assets.* Available-for-sale financial assets are those nonderivative financial assets that are not classified as fair value through profit or loss, loans and receivable or held-to-maturity investments. These are purchased and held indefinitely, and maybe sold in response to liquidity requirements or changes in market conditions. After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized in the “other comprehensive income” section of the consolidated statement of comprehensive income. When the investment is disposed of, the cumulative gain or loss previously recorded in other comprehensive income is recorded as part of profit or loss in the consolidated statement of comprehensive income. Interest earned on the investments is reported as interest income using the effective interest method. Dividends earned on investments are recognized in the consolidated statement of comprehensive income when the right to receive payment has been established. Available-for-sale financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The fair value of available-for-sale financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

The Company classified its investment in a certain country club as available-for-sale financial asset. The carrying value and fair value of the available-for-sale financial asset, which is presented as part of “Other noncurrent assets” account in the consolidated balance sheet, is disclosed in Note 24.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations and loans and borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through amortization process.

This category includes notes payable and trade and other payables. The carrying values and fair values of other financial liabilities are disclosed in Note 24.

#### Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is any 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be charged to current operations. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written-off at each balance sheet date when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

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

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

*Available-for-sale Financial Assets.* In the case of equity investment classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When a decline in the fair value of an available-for-sale financial asset has been recognized in the other comprehensive income account and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income account is reclassified to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument are not reversed in profit or loss. Subsequent increases in the fair value after impairment are recognized directly in other comprehensive income account.

#### Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the 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 Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the 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 Company could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, or 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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

#### Offsetting of Financial Instruments

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

Inventories

Inventories are carried at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Goods in process - cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; and
- Raw and packaging materials and supplies - cost determined on a first-in, first-out basis.

Net realizable value of goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw and packaging materials and supplies is the current replacement cost.

Property, Plant and Equipment and Land at Revalued Amount

Property, plant and equipment, except land (presented as "Land at revalued amount" account in the consolidated balance sheet), are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Revaluation of the land is generally made every three to five years, depending on the movement of the fair value. Any increase in the carrying amount of the land as a result of the revaluation is recognized in other comprehensive income and accumulated in equity under the heading "Revaluation increment in land", net of the related deferred tax liability.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. The cost of buildings and leasehold improvements is inclusive of capitalized borrowing costs incurred in connection with the construction. Property, plant and equipment also includes, if any, costs of dismantlement, removal or restoration, the obligation for which the entity incurs when it installs or uses the assets.

Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the assets:

Buildings	30 years
Leasehold improvements	5 years or term of lease, whichever is shorter
Machinery and equipment	3-7 years
Office furniture, fixtures and equipment	3 years

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each balance sheet date, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement, if the recognition criteria are satisfied.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited or charged to the consolidated statement of comprehensive income.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Investment in Gel Pacific, Inc. (GPI) (included under "Other noncurrent assets" account)

The Company has a 33.33% ownership interest in GPI, a joint venture company. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Company recognizes its interest in GPI using the equity method. Under the equity method, the investment in joint venture is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Company's share in net assets of the joint venture, less any impairment in value. The consolidated statement of comprehensive income reflects the Company's share in the results of operations of the joint venture. Unrealized gains arising from transactions with the joint venture are eliminated to the extent of the Company's interest in the joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

The Company discontinues recognizing its share of further losses when its share equals or exceeds its interest in the joint venture. The Company's interest is the carrying amount of the investment in the joint venture together with any long-term interests that, in substance, form part of the Company's net investment. Losses recognized under the equity method in excess of the Company's investment in ordinary shares are applied to the other components of the Company's interest in the reverse order of their seniority (i.e. priority in liquidation).

The financial statements of GPI are prepared for the same reporting year as the Company, using consistent accounting policies.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets (e.g., property, plant and equipment and investment in GPI) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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 loss, if any, is recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for land carried at revalued amount where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses, if any, 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 (in case of property, plant and equipment), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income except for land carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charges are 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.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 an interest expense.

#### Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

#### Retained Earnings

Retained earnings represent the Company's net accumulated earnings less cumulative dividends declared.

#### Treasury Shares

Own equity instruments which are reacquired are deducted from equity at acquisition cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.

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

- Revenues from rendering tolling, planning, materials procurement and other technical and quality control services are recognized by reference to the completion of physical units of a contract.

- Rent income is recognized on straight-line basis over the lease term. For income tax reporting purposes, rent revenue under operating lease arrangements are treated as taxable income in conformity with the terms of the lease agreements or upon receipt of payment, whichever comes first.
- Interest income is recognized on a time proportionate basis that reflects the effective yield on the asset.

#### Expenses

Expenses included as part of cost of sales and operating expenses are recognized as incurred.

#### Retirement Benefits

The Company has a funded, defined noncontributory retirement plan covering all regular full-time employees, which is administered by a Board of Trustees. Retirement expense is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits immediately vest following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The retirement benefits liability is the aggregate of the present value of the defined benefit obligation and net actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that these exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.



### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement 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 extension granted, unless the 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 for scenarios a, c or d and at the date of renewal or extension period for scenario b.

*Operating Leases.* Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased assets and recognized over the lease term on the same bases as rental income. In cases where the Company is a lessee, operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the term of lease.

For income tax reporting purposes, expenses under operating lease arrangements are treated as deductible expenses in conformity with the terms of the lease agreements.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. For income tax reporting purposes, borrowing costs are treated as deductible expense in the year such are incurred.

### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All differences are taken to the consolidated statement of comprehensive income. All exchange rate differences including those arising on the settlement of monetary items at rates different from those at which these were recorded are recognized in the consolidated statement of comprehensive income in the year in which the differences arise.

For income tax reporting purposes, exchange gains or losses are treated as taxable income or deductible expense in the year these are realized.

## Taxes

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

*Deferred Tax.* Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of 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 nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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 nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

*Value-Added Tax (VAT)*. Revenue, expenses and assets are recognized net of the amount of value added tax except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax 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; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included under “Advances to suppliers and other current assets” or “Output tax payable” accounts, respectively in the consolidated balance sheets.

#### Profit Per Share

Basic profit (loss) per share is determined by dividing net income by the weighted average number of common shares issued and outstanding during the year. Diluted profit (loss) per share is computed in the same manner, adjusted for the dilutive effect of any potential common shares.

Since the Company has no potential dilutive common shares, basic and diluted profit per share are stated at the same amount.

#### Operating Segment

For management purposes, the Company is organized and managed under a single business segment, the manufacturing business, which is the basis upon which the Company reports its segment information. Revenue from sales and cost of sales and services are presented in the statement of comprehensive income

#### Contingencies

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

#### Events after the Balance Sheet Date

Post year-end events that provide additional information about the Company’s financial position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### 3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for adoption of the following amendments and improvements to existing PFRS and new interpretation as at January 1, 2010. The adoption of amendments and improvements to existing PFRSs and new interpretations that require retrospective restatements had no impact on the Company's comparative consolidated financial statements.

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*;
- Improvement to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*;
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*;
- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Amended)*;
- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*; and
- Improvements to PFRSs (2009)

The changes introduced by such amendments and improvements are as follows:

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*. The amendment clarifies how an individual subsidiary in a group should account for share-based payment arrangements in its own financial statements. It further states that an entity that receives goods or services in a share-based payment arrangement must account for these goods or services no matter which entity in the group settles the transaction, and regardless of whether the transaction is equity-settled or cash-settled. The adoption of this amendment did not have any impact on the Company's financial position or performance.
- Improvement to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*. The improvement clarifies that when a subsidiary is held for sale, all of its assets and liabilities will be classified as held-for-sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale. The improvement has no impact on either the Company's financial position or performance.
- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*. Amendment to PAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Company has concluded that the amendment has no impact on its financial position or performance, as the Company has not entered into any such hedges.
- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Amended)*. The revised PFRS 3 introduces significant changes in the accounting for business combinations occurring after January 1, 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages. These changes impact the amount of goodwill recognized, the reported results in the year that an acquisition occurs, and future reported results. The adoption of revised PFR3 has no impact on the Company's consolidated financial statements.

The amendment PAS 27 requires that: (a) change in ownership interests of a subsidiary without loss of control is accounted for as a transaction with owners in their capacity as owners and therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes in accounting policy were applied retrospectively with the following exceptions which are applied prospectively from January 1, 2009: (a) the allocation of profits and losses to non-controlling interests in periods before the standard is applied are not restated; (b) changes in ownership interests (without loss of control) occurring before the standard is applied are not restated; and (c) the carrying amount of an investment in a former subsidiary, where control was lost in periods before the standard is applied, is not restated. Accordingly, the gains or losses arising from such transactions are not recalculated. The adoption of amended PAS 27 has no impact on the Company's consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*. This interpretation provides guidance on non-reciprocal distribution of assets by an entity to its owners acting in their capacity as owners, including distributions of non-cash assets and those giving the shareholders a choice of receiving non-cash assets or cash, provided that: (a) all owners of the same class of equity instruments are treated equally; and (b) the non-cash assets distributed are not ultimately controlled by the same party or parties both before and after the distribution, and as such, exclude transactions under common control. The interpretation has no effect on either the Company's financial position or performance.

*Improvements to PFRSs*. The FRSC approved in its meeting in May 2009 the adoption of Improvements to International Financial Reporting Standards, or IFRSs, issued by the International Accounting Standards Board, or IASB, in April 2009. Improvements to PFRSs which is an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wordings of the standards. There are separate transitional provisions for each standard which are all effective beginning January 1, 2010.

- PFRS 2, *Share-based Payment*. The amendment clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of Revised PFRS 3.
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*. The amendment clarifies that the disclosures required in respect of noncurrent assets or disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.

It also clarifies that the general requirements of PAS 1, *Presentation of Financial Statements*, still apply, particularly paragraphs 15 (to achieve fair presentation) and 125 (sources of estimation and uncertainty) of PAS 1.

- PFRS 8, *Operating Segments*. The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*. The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, *Statement of Cash Flows*. The amendment explicitly states that only expenditures that result in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, *Leases*. The amendment removes the specific guidance on classifying land as lease so that only the general guidance remains.
- PAS 36, *Impairment of Assets*. The amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in PFRS 8, before aggregation for reporting purposes.
- PAS 38, *Intangible Assets*. The amendment clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39, *Financial Instruments: Recognition and Measurement*. The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The amendment also clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken. It also clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the year that the hedged forecast cash flows affect profit or loss.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*. The improvement clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. The improvement states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge, are satisfied.

*New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2010.* The Company will adopt the following revised standards, interpretations and amendments to existing standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these revised standards interpretations and amendments to PFRS to have a significant impact on its consolidated financial statements.

*Effective in 2011*

- Revised PAS 24, *Related Party Disclosures*. The standard has been revised to simplify the identification of related party relationship and re-balance the extent of disclosures of transactions between related parties based on the costs to preparers and the benefits to users in having this information available in consolidated financial statements. Also, the revised standard provides a partial exemption from the disclosure requirements for government-related entities. This standard is applied retrospectively and is applicable for annual periods beginning on or after January 1, 2011.
- Amendment to PAS 32, *Classification of Rights Issues*. The definition of a financial liability in the standard has been amended to classify right issues (and certain options or warrants) as equity instruments if: (a) the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, and (b) the instruments are used to acquire fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment is applied retrospectively and is applicable for annual periods beginning on or after February 1, 2010.
- Amendment to IFRIC 14, *Prepayments of a Minimum Funding Requirement*. The interpretation has been amended to permit an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment should be applied to the beginning of the earliest period presented in the first financial statements in which the entity applied the original interpretation. This amendment is applied retrospectively and is applicable for annual periods beginning on or after January 1, 2011.
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instrument*. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognized immediately in profit or loss. This interpretation is applied retrospectively and is applicable for annual periods beginning on or after July 1, 2010 from the beginning of the earliest comparative period presented.

*Improvements to PFRSs*. The FRSC approved in its meeting in July 2010 the adoption of improvements to IFRS issued by the IASB in May 2010. There are separate transitional provisions for each standard which are all effective beginning January 1, 2011.

- PFRS 3, *Business Combination*. The improvements include: (a) clarification that the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation*, and PAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008); (b) guidance that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement

basis is required by PFRS; and (c) clarification that the application guidance in PFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. These improvements are applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures*. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. This amendment is applied retrospectively.
- PAS 1, *Presentation of Financial Instruments*. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively.
- PAS 27, *Consolidated and Separate Financial Statements*. The improvement clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when PAS 27 is applied earlier. This improvement is applied retrospectively.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*. The amendment clarifies the meaning of fair value in the context of measuring award credits under customer loyalty programmes.

#### *Effective in 2012*

- Amendments to PFRS 7, *Disclosures – Transfers of Financial Assets*. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are applied prospectively and are applicable for annual periods beginning on or after July 1, 2011.
- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*. This interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

#### *Effective in 2013*

- PFRS 9, *Financial Instruments: Classification and Measurement*. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and derecognition will be addressed. The adoption of the first phase



of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

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#### 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

##### Judgments

In the process of applying the Company's policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Evaluating Lease Commitments.* The Company has entered into various lease agreements as a lessee and as a lessor.

*Company as a Lessee.* The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership on the lease of certain plant facilities because the lease agreements do not transfer to the Company the ownership over the assets at the end of the lease term and do not provide the Company with a bargain purchase option over the leased assets and so accounts for the contracts as operating lease.

Rent expense amounted to ₱40.6 million in 2010, ₱44.9 in 2009 and ₱41.1 million in 2008, respectively (see Notes 15, 16, 18 and 22).

*Company as a Lessor.* The Company has entered into leases on its plant facilities. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer ownership of the assets to the lessee at the end of the lease term and do not give the lessee a bargain purchase option over the assets and so accounts for the contracts as operating leases (see Note 18).

Rent income amounted to ₱3.6 million in 2010, ₱0.4 million in 2009 and ₱1.4 million in 2008, respectively (see Note 18).

*Contingencies.* The Company is a defendant in certain legal cases still pending with the courts. Management believes that the resolution of these cases will not have a material effect on the consolidated financial statements (see Note 22).

##### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year are discussed below.

*Estimating Allowances for Doubtful Accounts.* Provisions are made for specific and groups of accounts where objective evidence of impairment exists. The Company evaluates these accounts, based on available facts and circumstances that affect the collectibility of the accounts. The review is accomplished using a combination of specific and collective assessment approaches. The Company considers factors such as the age of the receivable, payment status and collection experience in determining individually impaired financial assets. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as the length of the Company's relationship with customers, customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Company made different assumptions or utilized different estimates.

The allowance is established by charges to income in the form of provision for doubtful accounts. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease current assets.

Provision for doubtful accounts amounted to ₱15.6 million in 2010, nil in 2009 and ₱25.1 million in 2008 (see Note 16). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱279.6 million and ₱322.4 million as of December 31, 2010 and 2009, respectively (see Note 6).

*Estimating Net Realizable Values of Inventories.* The Company writes down the cost of inventories whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

The carrying value of inventories amounted to ₱156.8 million and ₱199.6 million as of December 31, 2010 and 2009, respectively (see Note 7). Provision for inventory obsolescence amounted to ₱0.6 million in 2009. There were no provisions for inventory obsolescence in 2010 and 2008.

*Impairment of Available-for-sale Financial Asset.* The Company treats available-for-sale equity investments as impaired when there has been a significant and prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities.

The carrying value of available-for-sale financial asset amounted to ₱0.3 million in 2010 and 2009 (see Note 11). No impairment losses were recognized in 2010, 2009 and 2008.

*Estimating Useful Lives of Property, Plant and Equipment.* The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically 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 assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It

is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. A reduction in the estimated useful life of property, plant and equipment would increase the recorded expenses and decrease noncurrent assets.

There were no changes made in the estimated useful lives of the Company's property, plant and equipment. The carrying values of property, plant and equipment amounted to ₱437.1 million and ₱490.9 million as of December 31, 2010 and 2009, respectively (see Note 9).

*Impairment of Property, Plant and Equipment and Investment in GPI.* PFRS requires that an impairment review be performed when certain impairment indicators are present. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less cost to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Determining the value of property, plant and equipment and investment in GPI, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such assets are impaired. Any resulting impairment could have a material impact on the financial condition and results of operations of the Company.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment losses were recognized in 2010, 2009 and 2008. The carrying values of property, plant and equipment amounted to ₱437.1 million and ₱490.9 million as of December 31, 2010 and 2009, respectively (see Note 9). The carrying values of investment and advances amounted to ₱0.2 million and ₱2.0 million as of December 31, 2010 and 2009, respectively (see Note 11).

*Estimating Fair Value of Land.* The Company used the services of an independent professional appraiser in estimating the fair value of land. The fair value is determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transaction. The amount and timing of recorded changes in fair value for any period would differ if the Company made a different judgment and estimate or utilized a different basis for determining fair value. Management has determined that there is no significant movement in the fair value of the land in 2010 and 2009.

The fair value of the land amounted to ₱112.2 million as of December 31, 2010 and 2009 (see Note 10).

*Estimating Realizability of Deferred Tax Assets and Creditable Withholding Tax.* The Company reviews its deferred tax assets and creditable withholding tax at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets or creditable withholding tax to be utilized (see Note 19). The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on forecasted taxable income of the subsequent reporting period. The forecast is based on past results and future expectations on revenues and expenses.

The carrying value of deferred tax assets amounted to ₱34.8 million and ₱41.5 million as of December 31, 2010 and 2009, respectively (see Note 19). The carrying value of creditable withholding tax amounted to nil as of December 31, 2010 and 2009. Provision for probable losses on creditable withholding tax amounted to nil in 2010, ₱51.6 million in 2009 and ₱40.0 million in 2008 (see Note 16).

The Company also has unrecognized deferred tax assets arising from certain provisions, NOLCO and MCIT amounting to ₱9.9 million and ₱11.4 million as of December 31, 2010 and 2009, respectively (see Note 19).

*Retirement and Long-term Sick Leave Benefits.* The determination of the Company's obligation and cost for retirement and long-term sick leave benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions described in Note 20 to the consolidated financial statements include among others, discount rates, expected rates of return on plan assets and rates of salary increase. In conformity with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefits liability and long-term sick leave benefits liability amounted to ₱1.4 million and ₱7.0 million and ₱33.6 million and ₱38.8 million, as of December 31, 2010 and 2009, respectively. Net cumulative unrecognized actuarial gain amounted to ₱43.8 million and ₱50.7 million as of December 31, 2010 and 2009, respectively (see Note 20).

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5. **Cash and Cash Equivalents**

	2010	2009
Cash on hand and in banks	₱67,054,571	₱93,519,150
Cash equivalents	274,976,383	155,753,728
	<b>₱342,030,954</b>	<b>₱249,272,878</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

Interest income from bank deposits and short-term investments amounted to ₱3.2 million, ₱3.0 million and ₱1.6 million in 2010, 2009 and 2008, respectively.

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6. **Trade and Other Receivables**

	2010	2009
Trade	₱248,197,906	₱272,519,456
Receivables from related parties (see Note 18)	17,802,341	38,048,645
Others	29,137,191	40,320,470
	<b>295,137,438</b>	<b>350,888,571</b>
Less allowance for doubtful accounts	<b>15,582,014</b>	28,493,982
	<b>₱279,555,424</b>	<b>₱322,394,589</b>

Trade and other receivables are noninterest-bearing and are generally on 1 to 30 days' terms.

Movements of allowance for doubtful accounts pertaining to specifically impaired receivables are as follow:

	Trade Receivables		Receivables from Related Parties	
	2010	2009	2010	2009
Balance at beginning of year	<b>₱10,592,011</b>	₱10,592,011	<b>₱17,901,971</b>	₱17,901,971
Provision (see Note 16)	<b>14,149,814</b>	–	<b>1,432,200</b>	–
Recovery of prior year allowance	<b>(10,295,961)</b>	–	<b>(17,901,971)</b>	–
Write-off	<b>(296,050)</b>	–	–	–
Balance at end of year	<b>₱14,149,814</b>	₱10,592,011	<b>₱1,432,200</b>	₱17,901,971

No collective impairment was provided in 2010 and 2009.

In 2009, the Company has fully collected its receivable from Meralco, representing the refund of its previous billings under Phase IV of Meralco's refund scheme.

Interest income arising from accretion of the receivable from Meralco amounting to ₱0.8 million and ₱1.2 million in 2009 and 2008, respectively, is shown as part of "Other income (expense) - net" in the consolidated statements of comprehensive income.

## 7. Inventories

	2010	2009
At net realizable value -		
Raw and packaging materials	<b>₱137,562,378</b>	₱158,812,466
At cost:		
Goods in process	<b>16,883,628</b>	36,141,701
Supplies	<b>2,393,436</b>	4,692,024
	<b>₱156,839,442</b>	₱199,646,191

The cost of raw and packaging materials amounted to ₱141.6 million and ₱162.9 million, as of December 31, 2010 and 2009, respectively.

Other income in the 2009 statement of comprehensive income includes recoveries from customers for expired inventories that were expensed in prior years amounting to about ₱18.6 million.

## 8. Advances to Suppliers and Other Current Assets

	2010	2009
Advances to suppliers	<b>₱15,059,835</b>	₱10,458,867
Prepaid insurance (see Note 18)	<b>11,901,066</b>	4,959,040
Other prepaid expenses	<b>8,018,934</b>	10,190,950
	<b>₱34,979,835</b>	₱25,608,857

9. Property, Plant and Equipment

2010				
	Buildings and Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:				
Balance at beginning of year	₱801,985,571	₱558,148,640	₱82,934,625	₱1,443,068,836
Additions	165,179	21,608,704	1,192,344	22,966,227
Disposals	(390,192)	(7,164,096)	(169,773)	(7,724,061)
Balance at end of year	801,760,558	572,593,248	83,957,196	1,458,311,002
Accumulated depreciation and amortization:				
Balance at beginning of year	418,836,841	466,021,602	67,310,153	952,168,596
Depreciation and amortization (see Notes 15 and 16)	28,237,808	41,635,390	6,903,549	76,776,747
Disposals	(390,192)	(7,164,096)	(169,773)	(7,724,061)
Balance at end of year	446,684,457	500,492,896	74,043,929	1,021,221,282
Net book value	₱355,076,101	₱72,100,352	₱9,913,267	₱437,089,720
2009				
	Buildings and Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Total
Cost:				
Balance at beginning of year	₱801,985,571	₱550,786,116	₱68,537,285	₱1,421,308,972
Additions	-	12,910,315	17,489,242	30,399,557
Disposals	-	(349,707)	(2,385,181)	(2,734,888)
Write-off	-	(5,198,084)	(706,721)	(5,904,805)
Balance at end of year	801,985,571	558,148,640	82,934,625	1,443,068,836
Accumulated depreciation and amortization:				
Balance at beginning of year	₱389,638,608	₱422,963,673	₱64,607,742	₱877,210,023
Depreciation and amortization (see Notes 15 and 16)	29,198,233	48,602,157	5,761,562	83,561,952
Disposals	-	(346,144)	(2,352,430)	(2,698,574)
Write-off	-	(5,198,084)	(706,721)	(5,904,805)
Balance at end of year	418,836,841	466,021,602	67,310,153	952,168,596
Net book value	₱383,148,730	₱92,127,038	₱15,624,472	₱490,900,240

Amortization of capitalized borrowing cost amounted to ₱5.6 million in 2010, 2009 and 2008. There were no borrowing costs capitalized in 2010 and 2009.

#### 10. Land at Revalued Amount

	2010	2009
Land - at cost	₱25,599,000	₱25,599,000
Appraisal increase	86,596,000	86,596,000
	<b>₱112,195,000</b>	<b>₱112,195,000</b>

Appraised value of the land is determined by an independent firm of appraisers as of December 31, 2008. The appraised value of the land is estimated based on sales and listings of comparable property registered within the vicinity. Management has determined that there were no significant movements in the fair value of the land in 2010 and 2009.

#### 11. Other Noncurrent Assets

	2010	2009
Investment and advances - net	₱2,478,873	₱2,021,285
Deposits	1,813,207	1,987,350
Available-for-sale financial asset (see Notes 23 and 24)	330,000	330,000
Others	40,000	-
	<b>₱4,662,080</b>	<b>₱4,338,635</b>

On February 20, 1997, the Parent Company, Active Research and Management Corporation and Mercury Group of Companies established GPI, a joint venture, to manufacture and sell softgel products in the Philippines. Each company has a 33.33% interest in the joint venture.

As of December 31, the details and movements of the investment and advances in GPI are as follows:

	2010	2009
Acquisition cost	₱25,000,000	₱25,000,000
Accumulated equity in net losses:		
Balance at beginning of year	30,230,170	30,842,721
Equity in net income	(7,709,043)	(612,551)
Balance at end of year	22,521,127	30,230,170
	2,478,873	(5,230,170)
Advances	-	7,251,455
	<b>₱2,478,873</b>	<b>₱2,021,285</b>

The Company's proportionate share in the assets, liabilities, revenues and net income (loss) of GPI as of December 31, 2010, 2009 and 2008 and for the years then ended is as follows:

	2010	2009	2008
Current assets	₱4,802,732	₱3,039,639	₱3,164,545
Noncurrent assets	12,811,412	14,385,615	16,301,235
Current liabilities	973,067	8,493,221	9,102,195
Revenue	16,067,230	1,640,111	2,478,451
Net income (loss)	7,709,043	612,551	(289,155)

The Company does not recognize the change in the fair value of available-for-sale financial asset due to the immateriality of the amount.

## 12. Notes Payable

In 2009, the Company obtained unsecured peso-denominated loans from local banks maturing within one year with interest rates that are subject to monthly repricing ranging from 7.0% to 8.0%.

Interest expense on notes payable amounted to ₱5.0 million in 2010, ₱25.9 million in 2009 and ₱36.0 million in 2008.

## 13. Trade and Other Payables

	2010	2009
Trade	₱214,230,832	₱221,307,249
Nontrade	36,875,963	68,530,481
Accruals:		
Personnel	59,579,378	53,777,889
Others	7,500,154	7,254,938
Others	5,526,109	5,161,776
	<b>₱323,712,436</b>	<b>₱356,032,333</b>

Trade and other payables are noninterest-bearing and are due for payment within 1 to 120 days.

## 14. Equity

- a. The two classes of common stock are identical in all respects except that Class A shares are restricted in ownership to Philippine nationals. Both common stocks have ₱1 par value.
- b. The following is a summary of the movement of the Parent Company's authorized capital stock with the related issue price and date of approval of registration by the SEC:

Shares Registered		Issue Price		Date of SEC Approval
Common Class A	Common Class B	Class A	Class B	
90,000,000	60,000,000	₱3.20	₱3.40	February 14, 1991
180,000,000	120,000,000	1.00	1.00	August 9, 1993
270,000,000	180,000,000	1.00	1.00	October 21, 1997
540,000,000	360,000,000			

- c. The Parent Company's issued shares are as follows:

Class A	337,500,000
Class B	225,000,000

- d. On October 9, 2002 and March 19, 2003, the BOD approved the share repurchase program to repurchase a total of 175.0 million shares.

Treasury shares held totaled 150.4 million shares as of December 31, 2010 and 2009.



- e. The retained earnings balance as of December 31, 2010 and 2009 is restricted for dividend declaration for the cost of shares held in treasury.
- f. As of December 31, 2010, the Parent Company has 533 stockholders.

#### 15. Cost of Sales and Services

	2010	2009	2008
Direct materials	₱643,511,966	₱729,222,330	₱850,096,100
Personnel (see Notes 17 and 20)	445,745,110	466,047,185	564,077,037
Utilities	130,679,534	102,915,645	130,187,595
Depreciation and amortization (see Note 9)	67,252,135	76,872,641	86,581,762
Rental and outside services (see Notes 18 and 22)	63,251,632	61,892,556	61,392,791
Repairs and maintenance	61,507,016	37,485,413	42,008,809
Manufacturing supplies	47,244,274	46,943,201	43,839,163
Insurance and shipping cost (see Note 18)	4,428,016	14,757,998	8,521,548
Others	2,956,522	12,361,931	20,359,874
	<b>₱1,466,576,205</b>	<b>₱1,548,498,900</b>	<b>₱1,807,064,679</b>

#### 16. Operating Expenses

	2010	2009	2008
Personnel (see Notes 17 and 20)	₱94,728,016	₱90,781,721	₱107,325,563
Rental and outside services (see Notes 18 and 22)	27,824,515	30,941,304	33,261,424
Supplies	15,621,196	4,620,441	12,263,854
Provision for doubtful accounts (see Note 6)	15,582,014	-	25,087,464
Depreciation and amortization (see Note 9)	9,524,612	6,689,311	7,673,855
Utilities	6,236,981	4,364,575	6,457,567
Repairs and maintenance	3,166,543	4,791,985	5,557,128
Entertainment, amusement and representation	2,551,023	2,829,585	2,582,683
Taxes and licenses	1,367,432	2,104,143	5,395,014
Insurance (see Note 18)	376,211	194,867	222,621
Provision for possible losses on creditable withholding tax (see Note 4)	-	51,609,510	40,000,000
Others	10,080,020	12,370,953	7,078,956
	<b>₱187,058,563</b>	<b>₱211,298,395</b>	<b>₱252,906,129</b>

## 17. Personnel Expenses

	2010	2009	2008
Salaries, wages and employee benefits	₱505,640,367	₱522,063,476	₱588,148,020
Transportation and travel	21,705,805	22,183,491	20,239,931
Retirement benefits (see Notes 18 and 20)	12,197,825	11,359,780	19,794,300
Long-term sick leave benefits (see Notes 18 and 20)	(607,871)	1,222,159	10,300,534
Early retirement benefit	1,537,000	—	32,919,815
	<b>₱540,473,126</b>	<b>₱556,828,906</b>	<b>₱671,402,600</b>

## 18. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- a. The Company, in the normal conduct of business, manufactures and processes, for agreed tolling fees at prevailing prices, pharmaceutical products for Zuellig Pharma Corporation (ZPC, a stockholder up to November 2006) and GPI (a joint venture entity with other joint venturers). Tolling and other service fees amounted to ₱40.4 million in 2010, ₱53.0 million in 2009 and ₱68.2 million in 2008. Related receivables, included under “Trade and other receivables” account in the consolidated balance sheets, amounted to ₱17.3 million and ₱19.3 million as of December 31, 2010 and 2009, respectively.
- b. The Company has renewable lease agreements with ZPC covering its Canlubang and Sucat warehouses, and Sucat manufacturing plant. The lease agreement for the Canlubang warehouse is from February 2001 to February 2006. The lease agreement for the Canlubang warehouse expired in 1999 while lease agreement for the Sucat manufacturing plant was terminated on October 15, 2009. The lease agreements are deemed renewed unless terminated by either party. The aggregate minimum annual rental under these lease agreements amounts to ₱29.6 million. Lease rentals charged to operations amounted to ₱29.6 million in 2010, ₱29.1 million in 2009 and ₱31.4 million in 2008. The Company has no outstanding liability related to these agreements as of December 31, 2010 and 2009.
- c. The Company leases out a portion of its Canlubang plant facilities to GPI. The original term of the lease is from May 1, 1998 to April 30, 2003, but has been subsequently renewed on a yearly basis. Rent income included under “Other income” account in the consolidated statements of comprehensive income amounted to ₱3.6 million in 2010, ₱0.4 million in 2009 and ₱1.4 million in 2008. The related rent receivable which is included under “Trade and other receivables” account in the consolidated balance sheets, amounted to ₱0.5 million and ₱18.7 million as of December 31, 2010 and 2009, respectively.
- d. The Company obtains insurance coverage, at prevailing prices, for its property, plant and equipment through Accette Insurance Brokerage (Accette) (see Note 8). Insurance expense amounted to ₱6.6 million in 2010, ₱6.3 million in 2009 and ₱6.9 million in 2008.

e. Compensation of key management personnel of the Company are as follows:

	2010	2009	2008
Short-term employee benefits	₱70,657,037	₱68,880,323	₱74,263,815
Post-employment benefits:			
Retirement benefits	873,237	810,991	783,300
Long-term sick leave benefits	589,541	156,300	695,250
	<b>₱72,119,815</b>	<b>₱69,847,614</b>	<b>₱75,742,365</b>

f. ZPC, Accette and the Company have common ultimate stockholders.

## 19. Income Tax

The components of the Company's net deferred tax liabilities pertain to the tax effects of the following:

	2010	2009
Deferred tax liabilities:		
Revaluation increment in land	₱25,978,800	₱25,978,800
Unamortized portion of capitalized interest	14,567,721	16,257,572
	<b>40,546,521</b>	<b>42,236,372</b>
Deferred tax assets:		
Accrued personnel expenses	23,423,224	26,301,080
Allowance for:		
Doubtful accounts	4,674,604	8,548,195
Excess of cost of inventories over the net realizable value	1,220,021	1,220,021
Unamortized past service costs on contributions	5,479,781	5,413,141
	<b>34,797,630</b>	<b>41,482,437</b>
	<b>₱5,748,891</b>	<b>₱753,935</b>

The Company's unrecognized deferred tax assets pertain to the following:

	2010	2009
MCIT	₱4,984,403	₱11,432,092
Provisions	4,500,000	-
NOLCO	409,379	-
	<b>₱9,893,782</b>	<b>₱11,432,092</b>

The Parent Company's NOLCO amounting to ₱1.4 million which was incurred in 2010, can be deducted against regular taxable income until December 31, 2013.

The Parent Company's MCIT amounting to ₱5.0 million, which was paid in 2008, can be deducted against regular taxable income until December 31, 2011. MCIT amounting to ₱6.4 million and ₱5.1 million have expired on December 31, 2010 and 2009, respectively.

The provision for income tax represents RCIT in 2010, 2009 and 2008.

A reconciliation of provision for income tax expense computed at the statutory tax rates to provision for (benefit from) income tax for the years ended December 31 is as follows:

	2010	2009	2008
Provision for income tax			
computed at statutory rates	₱56,374,087	₱65,069,684	₱22,478,697
Income tax effects of:			
Changes in unrecognized deferred tax assets relating to provisions and NOLCO	4,909,379	-	(22,444,627)
Nontaxable income	(4,898,818)	-	-
Equity in net loss (income) of a joint venture	(2,312,713)	(183,766)	101,204
Interest income already subjected to final tax rate	(962,889)	(911,097)	(548,669)
Nondeductible expenses	223,789	40,317,401	226,326
Effect of change in enacted tax rates	-	-	(2,367,523)
	<b>₱53,332,835</b>	<b>₱104,292,222</b>	<b>(₱2,554,592)</b>

## 20. Retirement and Long-term Sick Leave Benefits

The Company has a defined benefit, noncontributory retirement plan covering all of regular full-time employees which require contribution to be made to the administered fund.

The following tables summarize the components of net retirement benefit expense recognized in the consolidated statements of comprehensive income and the unfunded status and amounts recognized in the consolidated balance sheets for the plan:

Net retirement benefit expense consists of:

	2010	2009	2008
Current service cost	₱11,881,000	₱6,703,000	₱11,545,300
Interest cost	17,802,497	25,522,675	27,553,100
Expected return on plan assets	(14,899,438)	(12,142,395)	(19,304,100)
Net actuarial gain recognized	(2,586,234)	(8,723,500)	-
Net retirement benefit expense	<b>₱12,197,825</b>	<b>₱11,359,780</b>	<b>₱19,794,300</b>

Details of net retirement benefit liability are as follows:

	2010	2009
Present value of defined benefit obligation	₱228,647,300	₱204,626,400
Fair value of plan assets	(271,052,673)	(248,323,966)
Funded status	(42,405,373)	(43,697,566)
Net cumulative unrecognized actuarial gain	43,774,553	50,694,737
Net retirement benefit liability	<b>₱1,369,180</b>	<b>₱6,997,171</b>

Changes in the present value of defined benefits obligation are as follow:

	2010	2009	2008
Balance at beginning of year	<b>₱204,626,400</b>	₱102,090,700	₱266,987,200
Current service cost	<b>11,881,000</b>	6,703,000	11,545,300
Interest cost	<b>17,802,497</b>	25,522,675	27,553,100
Actuarial loss (gain)	<b>34,353,205</b>	78,452,532	(167,887,016)
Benefits paid	<b>(40,015,802)</b>	(8,142,507)	(36,107,884)
Balance at end of year	<b>₱228,647,300</b>	₱204,626,400	₱102,090,700

Changes in the fair value of plan assets are as follows:

	2010	2009	2008
Balance at beginning of year	<b>₱248,323,966</b>	₱202,373,242	₱241,300,791
Expected return on plan assets	<b>14,899,438</b>	12,142,395	19,304,100
Benefits paid	<b>(40,015,802)</b>	(8,142,507)	(36,107,884)
Contributions	<b>17,825,816</b>	20,276,109	15,077,500
Actuarial gain (loss)	<b>30,019,255</b>	21,674,727	(37,201,265)
Balance at end of year	<b>₱271,052,673</b>	₱248,323,966	₱202,373,242
Actual return (loss) on plan assets	<b>₱44,918,693</b>	₱33,817,122	(₱17,897,165)

Plan assets are composed of equity securities.

The Company expects to contribute ₱11.1 million to its retirement plan in 2011.

Movements of retirement benefits liability are as follows:

	2010	2009
Balance at beginning of year	<b>₱6,997,171</b>	₱15,913,500
Net pension expense	<b>12,197,825</b>	11,359,780
Actual contributions	<b>(17,825,816)</b>	(20,276,109)
Balance at end of year	<b>₱1,369,180</b>	₱6,997,171

The principal assumptions used in determining retirement benefit obligations of the Company's plan are shown below:

	2010	2009	2008
Discount rate	<b>7.08%</b>	8.70%	25.00%
Expected rate of return on plan assets	<b>8.00%</b>	6.00%	6.00%
Rate of salary increase	<b>6.00%</b>	6.00%	7.00%

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous period are as follows:

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	₱228,647,300	₱204,626,400	₱102,090,700	₱266,987,200	₱258,064,700
Fair value of plan assets	271,052,673	248,323,966	202,373,242	241,300,791	218,586,800
Experience adjustment on defined benefit obligation	8,055,505	(15,757,668)	1,569,884	(3,159,327)	(77,345,200)
Experience adjustment on plan assets	30,019,255	21,674,727	(37,201,265)	(1,153,336)	27,683,800

The Company's policy provides that unused sick leave credits equivalent to 60 to 90 days is accumulated and the cash equivalent is payable upon separation of the employee. The Company recognized the related long-term sick leave benefits income of ₱0.6 million in 2010 and expenses of ₱1.2 million in 2009 and ₱10.3 million in 2008.

The principal assumptions used in determining sick leave benefit liability of the Company are shown below:

	2010	2009	2008
Discount rate	7.08%	8.70%	25.00%
Rate of salary increase	6.00%	6.00%	7.00%

Movements of long-term sick leave benefits liability are as follows:

	2010	2009
Balance at beginning of year	₱38,791,208	₱39,672,717
Long-term sick leave benefits expense	(607,871)	1,222,159
Benefits paid	(4,530,237)	(2,103,668)
Balance at end of year	₱33,653,100	₱38,791,208

## 21. Basic/Diluted Profit Per Share

	2010	2009	2008
Net income (a)	₱134,580,788	₱112,606,723	₱66,779,440
Weighted average number of shares outstanding (b)	412,064,596	412,064,596	412,064,596
Basic/diluted profit per share (a/b)	₱0.327	₱0.273	₱0.162

There are no common stock equivalents that would have a dilutive effect on basic EPS.

## 22. Commitment and Contingencies

- The Company has a lease agreement with Novartis Healthcare Philippines, Inc. (Novartis) covering the manufacturing facilities of Novartis in Canlubang for an annual rental of ₱10.0 million, inclusive of VAT. The lease agreement was renewed annually and the lease is accounted for as an operating lease. Rental expense on this lease contract amounted to ₱8.9 million in 2010, 2009 and 2008.

The Company has also entered into various lease agreements for one year renewable every year covering various warehouse, and machineries and equipment. Rent expense on these agreements amounted to ₱2.1 million in 2010 and ₱6.9 million in 2009 and 2008.

- b. The Company is a defendant in certain legal cases still pending with the courts. Management is of the opinion that the resolution of such cases will not have a material effect on the consolidated financial statements.

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### **23. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents and notes payable. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade and other receivables, available-for-sale financial asset and trade and other payables which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk (interest rate risk and foreign exchange risk). The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance due to unpredictability of financial markets.

Risk management is carried out by the Company's Finance Department under policies approved by the BOD. The Company's Finance Department identifies and evaluates financial risks in coordination with the Company's operating units. The BOD approves formal policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

#### Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company manages credit risk by following strict credit policies and procedures in granting of credit to customers and monitoring of schedule of aged receivables.

The Company trades only with recognized, creditworthy third parties. It is the policy of the Company that all customers who wish to trade on credit terms are subjected to credit verification procedures. Receivables from customers are usually settled after approved credit terms. Trade and other receivables are monitored on an on-going basis with the result that the exposure of the Company to bad debts is not significant. The Company does not offer credit terms to third parties, without the specific approval of management.

With respect to credit risk from other financial assets of the Company, which mainly composed of cash and cash equivalents and receivables from related parties, the exposure of the Company to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no significant concentration of credit risk in the Company.



*Credit Risk Exposures.* The table below shows the gross maximum exposure to on- and off-balance sheet accounts of the Company, before considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as of December 31:

	2010	2009
Cash and cash equivalents*	₱341,935,954	₱249,177,878
Trade and other receivables:		
Trade	234,048,092	261,927,445
Receivables from related parties	16,370,141	20,146,674
Others	29,137,191	40,320,470
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	330,000
	<b>₱621,821,378</b>	<b>₱571,902,467</b>

\* Excluding cash on hand

*Credit Quality per Class of Financial Assets.* The table below shows the credit quality by class of financial asset as follows:

	December 31, 2010				
	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱341,935,954	₱-	₱-	₱-	₱341,935,954
Trade and other receivables:					
Trade	78,056,120	50,237,026	105,754,946	14,149,814	248,197,906
Receivables from related parties	-	7,444,311	8,925,830	1,432,200	17,802,341
Others	4,545,219	3,872,480	20,719,492	-	29,137,191
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	-	-	-	330,000
	<b>₱424,867,293</b>	<b>₱61,553,817</b>	<b>₱135,400,268</b>	<b>₱15,582,014</b>	<b>₱637,403,392</b>

	December 31, 2009				
	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱249,177,878	₱-	₱-	₱-	₱249,177,878
Trade and other receivables:					
Trade	51,609,290	62,806,155	147,512,000	10,592,011	272,519,456
Receivables from related parties	-	5,812,774	14,333,900	17,901,971	38,048,645
Others	27,420,353	9,921,739	2,978,378	-	40,320,470
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	-	-	-	330,000
	<b>₱328,537,521</b>	<b>₱78,540,668</b>	<b>₱164,824,278</b>	<b>₱28,493,982</b>	<b>₱600,396,449</b>

\* Excluding cash on hand

High grade trade and other receivables represent good paying customer accounts with no history of overdue and are normally settled before the due date. Standard grade trade and other receivables include average paying customer accounts with no history of overdue and are normally settled on the due date.

Cash and cash equivalents are considered as high grade and include deposits or placements made to top 10 banks in the Philippines. Available-for-sale financial asset (included as part of "Other noncurrent assets") is considered as high grade, which pertains to investment in counterparty with positive financial performance.



The table below shows the aging analysis of past due but not impaired loans and receivables per class that the Company held as of December 31, 2010 and 2009. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

December 31, 2010					
Past Due but not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Total
Trade and other receivables:					
Trade	P88,874,033	P9,561,177	P7,319,736	P-	P105,754,946
Receivables from related parties	8,601,908	275,575	11,315	37,032	8,925,830
Others	6,819,966	443,413	11,287	13,444,826	20,719,492
	<b>P104,295,907</b>	<b>P10,280,165</b>	<b>P7,342,338</b>	<b>P13,481,858</b>	<b>P135,400,268</b>
December 31, 2009					
Past Due but not Impaired					
	1 to 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	Total
Trade and other receivables:					
Trade	P100,800,333	P15,300,789	P6,933,016	P24,477,862	P147,512,000
Receivables from related parties	171,421	713,813	2,701,242	10,747,424	14,333,900
Others	87,884	250,338	-	2,640,156	2,978,378
	<b>P101,059,638</b>	<b>P16,264,940</b>	<b>P9,634,258</b>	<b>P37,865,442</b>	<b>P164,824,278</b>

#### Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain adequate funding or is the risk that the Company will encounter difficulty in meeting obligations associated with financial difficulties.

The objective of the Company is to maintain a balance between continuity of funding and flexibility through the use of credit lines available from local banks. The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical data and forecasts from its collection and disbursement. Also, the Company only places funds in the money market which are exceeding the Company's requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The table below summarizes the maturity profile of the Company's financial assets held for liquidity purposes and financial liabilities as of December 31, 2010 and 2009 based on undiscounted contractual payments.

2010				
	Due and Demandable	Less than 3 Months	3 to 12 Months	Total
Financial Assets:				
Cash and cash equivalents	P342,030,954	P-	P-	P342,030,954
Trade and other receivables	144,155,156	124,043,563	11,356,705	279,555,424
	<b>P486,186,110</b>	<b>P124,043,563</b>	<b>P11,356,705</b>	<b>P621,586,378</b>
Financial Liability -				
Trade and other payables*	P-	P145,658,404	P164,078,675	P309,737,079

December 31, 2009				
	Due and Demandable	Less than 3 Months	3 to 12 Months	Total
<b>Financial Assets:</b>				
Cash and cash equivalents	P249,272,878	P-	P-	P249,272,878
Trade and other receivables	157,570,321	126,958,846	37,865,422	322,394,589
	P406,843,199	P126,958,846	P37,865,422	P571,667,467
<b>Financial Liabilities:</b>				
<b>Notes payable:</b>				
Principal	P-	P30,000,000	P100,000,000	P130,000,000
Interest		187,500	12,000,000	12,187,500
Trade and other payables *	-	182,789,439	162,652,351	345,441,790
	P-	P212,976,939	P274,652,351	P487,629,290

\*Excluding government and statutory liabilities

### Market Risk

**Interest Rate Risk.** The Company's interest rate risk arises from borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

December 31, 2010									
	Below 1 Year	1 Year	2 Years	3 Years	4 Years	Total		Fair Value	
						U.S. Dollars	In Philippine Peso	U.S. Dollars	In Philippine Peso
<b>Assets</b>									
<b>Cash and cash equivalents:</b>									
<b>Fixed rates:</b>									
Philippine peso	P33,666,219	P-	P-	P-	P-	US\$-	P33,666,219	US\$-	P33,666,219
Interest rate	1.0%								
U.S. dollar	US\$760,122	US\$-	US\$-	US\$-	US\$-	760,122	33,293,352	760,122	33,293,352
Interest rate	0.5%								
Philippine peso	P107,000,000	P-	P-	P-	P-	-	107,000,000	-	107,000,000
Interest rate	3.25%								
U.S. dollar	US\$3,835,077	US\$-	US\$-	US\$-	US\$-	3,835,077	167,976,383	3,835,077	167,976,383
Interest rate	1.9%								
December 31, 2009									
	Below 1 Year	1 Year	2 Years	3 Years	4 Years	Total		Fair Value	
						U.S. Dollars	In Philippine Peso	U.S. Dollars	In Philippine Peso
<b>Assets</b>									
<b>Cash and cash equivalents.</b>									
<b>Fixed rates:</b>									
Philippine peso	P61,027,978	P-	P-	P-	P-	US\$-	P61,027,978	US\$-	P61,027,978
Interest rate	3.0%-3.5%								
U.S. dollar	US\$701,823	US\$-	US\$-	US\$-	US\$-	701,823	32,396,172	701,823	32,396,172
Interest rate	1.7%-2.0%								
Philippine peso	P45,538,930	P-	P-	P-	P-	-	45,538,930	-	45,538,930
Interest rate	3.0%-3.5%								
U.S. dollar	US\$2,387,669	US\$-	US\$-	US\$-	US\$-	2,387,669	110,214,798	2,387,669	110,214,798
Interest rate	1.7%-2.0%								
<b>Liabilities</b>									
<b>Notes payable -</b>									
<b>Floating rate:</b>									
Philippine peso	P130,000,000	P-	P-	P-	P-	-	130,000,000	-	130,000,000
Interest rate	7.0%-8.0%								







The Company's ratio of interest-bearing debt to total equity as of December 31, 2009 is as follows:

Interest-bearing debt - notes payable (a)	₱130,000,000
Total equity (b)	839,591,847
Interest-bearing debt to total equity (a/b)	0.2:1

The Company does not have interest-bearing notes payable as of December 31, 2010.

No changes were made in the objectives, policies or process for the years ended December 31, 2010 and 2009.

## 24. Financial Instruments

### Fair Value of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments as of December 31:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱342,030,954	₱342,030,954	₱249,272,878	₱249,272,878
Trade and other receivables:				
Trade	234,048,092	234,048,092	261,927,445	261,927,445
Receivables from related parties	16,370,141	16,370,141	20,146,674	20,146,674
Others	29,137,191	29,137,191	40,320,470	40,320,470
	621,586,378	621,586,378	571,667,467	571,667,467
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	330,000	330,000	330,000
	₱621,916,378	₱621,916,378	₱571,997,467	₱571,997,467
<b>Financial Liabilities</b>				
Other financial liabilities:				
Notes payable	₱-	₱-	₱130,000,000	₱130,000,000
Trade and other payables*	309,737,079	309,737,079	345,441,790	345,441,790
	₱309,737,079	₱309,737,079	₱475,441,790	₱475,441,790

\*Excluding government and statutory liabilities

*Cash and Cash Equivalents, Trade and Other Receivables, Notes Payable, Trade and Other Payables.* The fair values approximates the carrying values due to the relatively short-term maturity of these financial instruments.

*Available-for-sale Financial Asset.* The fair value of the financial asset is based on its quoted market prices at balance sheet date.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2010 and 2009, there were no other financial assets and liabilities other than available-for-sale financial asset measured at fair value determined in reference with quoted prices in active market (Level 1 Hierarchy).

During the years ended December 31, 2010 and 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.