

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED
CORPORATION

Canlubang Industrial Estate, Bo. Pittland
4025 Cabuyao, Laguna

April 27, 2012

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 2011.

Thank you.

Very truly yours,



CAROLINE O. VILLASERAN

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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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)

Carmen T. Francisco

(Contact Person)

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

1	2	3	1
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Month Day
(Fiscal Year)

A	A	C	F	S
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(Form Type)

0	6	1	1
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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

Disclosures Department

Dept. Requiring this Doc.

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Amended Articles Number/Section

516

Total No. of Stockholders

--

Domestic

--

Foreign

Total Amount of Borrowings



SEC Number 58648

File Number _____

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, 2011

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, 2011
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 Cabuyao, Laguna 4025
Address of principal office Postal Code
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, 2011	Treasury Shares As of December 31, 2011	Outstanding Common Stock As of December 31, 2011
<u>Common Class A</u>	<u>337,500,000</u>	<u>64,803,449</u>	<u>272,696,551</u>
<u>Common Class B</u>	<u>225,000,000</u>	<u>85,631,955</u>	<u>139,368,045</u>
<u>TOTAL</u>	<u>562,500,000</u>	<u>150,435,404</u>	<u>412,064,596</u>

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
₱39,344,155.00.

**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, 2011

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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 31st December 2011, the Company's consolidated total assets stood at ₱1,431,919,776. During the year 2011, consolidated revenues of the Company amounted to ₱1,767,314,256.

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

Interphil Laboratories, Inc constitutes the Company's ongoing presence in the pharmaceutical manufacturing industry. Even when faced with a lot of challenges within the industry, Interphil Laboratories, Inc provides the Company great assurance for the coming years, as it develops to new export markets and obtain additional local clients.

As markets grow more demanding, the Company implements a planned mindset that values quality at all times.

Manchester International Holdings Unlimited Corp has the following direct subsidiaries as of December 31, 2011:

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) main businesses conducted through its subsidiaries can be classified in two categories as follows: toll manufacturing of pharmaceutical products and real estate business.

Product Lines. As a holding company, Manchester (formerly Interphil) has no principal products or services nor does the Company derive revenues or sales from any product or services.

Competition. With the continuous mergers of pharmaceuticals, Manchester (formerly Interphil) will confront stiffer competition with other holding companies that engage in the manufacture of healthcare products. Manchester (formerly Interphil) will also deal with competition in the real estate development business despite a projected strong demand in 2012.

Suppliers. Manchester (formerly Interphil), not being engaged in the manufacture of any product, does not need any raw materials or any items from suppliers for its business. 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 require any patent, trademark, copyright, license, franchise, concession and royalty agreement 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 have research and development activities.

Environmental Laws. Manchester (formerly Interphil), as a holding company, does not engage in business operations subject to regulations requiring compliance with 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 ₱14.1 million in 2011, ₱40.4 million in 2010, and ₱53.0 million in 2009. Related receivables, included under "Trade and other receivables" account in the consolidated balance sheets, amounted to ₱1.8 million and ₱17.3 million as of December 31, 2011 and 2010, respectively.
- b. The Company has renewable lease agreements with ZPC covering its Canlubang warehouse. On July 2011, ZPC and Interphil amended the lease agreement to effect the following: (a) extend the lease period for a period of one year beginning on January 1, 2011 and to expire at midnight of December 31, 2011; (b) monthly rental to increase to ₱2.5 million exclusive of VAT. The aggregate minimum annual rental under these lease agreements amounts to ₱30.3 million. Lease rentals charged to operations amounted to ₱30.3 million in 2011, ₱29.6million in 2010, ₱29.1million in 2009. The Company has no outstanding liability related to these agreements as of December 31, 2011 and 2010.
- 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 ₱4.5 million in 2011, ₱3.6 million in 2010, and ₱0.4 million in 2009. The related rent receivable, included under "Trade and other receivables" account in the consolidated balance sheets, amounted to ₱1.0 million and ₱0.5 million as of December 31, 2011 and 2010, respectively.
- d. The Company obtains insurance coverage, at prevailing prices, for its property, plant and equipment through Accette Insurance Brokerage (Accette). Insurance expense amounted to ₱6.6 million in 2011, ₱ 6.6 million in 2010, and ₱6.3 million in 2009.
- e. Compensation of key management personnel of the Company are as follows:

	2011	2010	2009
Short-term employee benefits	₱78,061,746	₱70,657,037	₱68,880,323
Post-employment benefits:			
Retirement benefits	765,077	873,237	810,991
Long-term sick leave benefits	714,000	589,541	156,300
	<u>₱79,540,923</u>	<u>₱72,119,815</u>	<u>₱69,847,614</u>

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

Employees. As of December 31, 2011, the Company has no existing employees and does not anticipate having within the ensuing year. There are no Collective Bargaining Agreements with employees.

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 and cash equivalents.

Item 1. Financial risks

The Company's principal financial instruments comprise cash and cash equivalents. 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, deposits, 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 foreign exchange risk. The Company's overall risk management program seeks to minimize these risks on the Company's financial performance.

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 credit risk, liquidity risk, and foreign exchange 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 not be able to meet its 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. The Company also 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.

Foreign Exchange Risks

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

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 financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired or liabilities incurred 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, 2011 and 2010.

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 and deposits. The carrying values and fair values of loans and receivables amounted to ₱ 591.1 million as of March 31, 2012, ₱ 666.1 million as of December 31, 2011, and ₱ 622.3 million as of December 31, 2010.

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 amounted to ₱ 0.33 million as of December 31, 2011 and 2010.

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 trade and other payables amounting to ₱ 387.2 million as of March 31, 2012, ₱ 296.9 million as of December 31, 2011, and ₱ 309.7 million in December 31, 2010.

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, 2012, December 31, 2011 and 2010:

	March 31, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱316,512,656	₱316,512,656	₱381,099,825	₱381,099,825
Trade and other receivables:				
Trade	258,743,056	258,743,056	255,458,593	255,458,593
Receivables from related parties	2,379,034	2,379,034	1,352,264	1,352,264
Others	13,484,975	13,484,975	25,005,005	25,005,005
Deposits	0	0	3,214,262	3,214,262
	591,119,721	591,119,721	666,129,949	666,129,949
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	330,000	330,000	330,000
	₱591,449,721	₱591,449,721	₱666,459,949	₱666,459,949

Financial Liabilities

Other financial liabilities:

Trade and other payables (excluding government and statutory liabilities)	₱387,191,468	₱387,191,468	₱296,921,301	₱309,737,079
	₱387,191,468	₱387,191,468	₱296,921,301	₱296,921,301

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱381,099,825	₱381,099,825	₱342,030,954	₱342,030,954
Trade and other receivables:				
Trade	255,458,593	255,458,593	234,048,092	234,048,092
Receivables from related parties	1,352,264	1,352,264	16,370,141	16,370,141
Others	25,005,005	25,005,005	29,137,191	29,137,191
Deposits	3,214,262	3,214,262	388,451	388,451
	666,129,949	666,129,949	621,974,829	621,974,829
Available-for-sale financial asset (included as part of "Other noncurrent assets")	330,000	330,000	330,000	330,000
	₱666,459,949	₱666,459,949	₱622,304,829	₱622,304,829

Financial Liabilities

Other financial liabilities:

Trade and other payables (excluding government and statutory liabilities)	₱296,921,301	₱296,921,301	₱309,737,079	₱309,737,079
	₱296,921,301	₱296,921,301	₱309,737,079	₱309,737,079

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 23 transnational pharmaceutical companies (34% local and 16% export) are patronizing Interphil.

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

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:

<u>PRODUCT LINES</u>	<u>PERCENTAGE TO TOTAL</u>
Liquids	29.90%
Dry Products	46.98%
Creams and Ointments	7.64%
Repackaging	0.10%
Penicillin	2.82%
Cephalosporin	2.58%
QA/TSD	9.97%
TOTAL	100.00%

Volume for 2011 went down versus last year and will keep on sliding 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 dropped as local companies have also been marketing and aggressively advertising "me-too" products at very much lesser prices to compete with legacy or originator brands. Likewise, there are some sourcing issues with regards to the (APIs) Active Pharmaceutical Ingredient of some clients.

Matching resources to the declining toll manufacturing volume is the foremost concern for the ensuing periods.

Interphil has moved towards increasing its export revenues and developing manufacturing and laboratory services to local companies.

Interphil Laboratories purchases various raw and packaging materials for its multinational clients from approved and qualified suppliers and sources. Our supplier portfolio is a mix of local and international sources spanning different continents around the world. This diversity allows us to choose the best quality and most cost competitive source to maintain competitive for material sourcing business.

We do business only 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. There are also common materials that we leverage from a purchasing standpoint. 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 existing 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, and Netpack. We also train our suppliers on the latest GMP (Good Manufacturing Practices) in order to align them with our evolving quality requirements.

Materials procurement from our approved suppliers completes what we proudly call the "All-In Service". This service ensures that products are delivered on time at competitive prices. It also helps our clients to focus on core aspects of their business like marketing, regulatory and brand growth. The full spectrum of our supply chain service include order management, materials planning & procurement, logistics, import/export, warehousing, materials sourcing, supplier qualification, delivery monitoring and supplier management.

In all of these aspects, we consider our suppliers as a valuable strategic partner of Interphil Laboratories.

The Company defrayed approximately ₱2.3 million in 2011 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, 2011, Interphil has a total of 468 employees composed of managers and rank and file. At present, the Company has a unionized workforce. But the Company was not subjected to any employees' strike nor is in danger with a union initiated work stoppage for the following year. The Company provides employee benefits including health care and retirement benefits and has enjoyed good labor relations over the years..

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 plan of acquiring any real property in the next twelve months.

On a consolidated basis, 2010 total property plant and equipment of Manchester were valued at ₱ 549,284,720 as compared to ₱ 530,654,062 for 2011 and ₱ 527,922,615 as of March 31, 2012.

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 ("Mr. Camson") was dismissed for dishonesty at the labor union's instance for which he filed a complaint for illegal dismissal. On June 19, 2007, the Labor Arbiter dismissed the complaint for lack of merit. Mr. Camson then appealed to the NLRC on July 26, 2007. On May 19, 2008, the NLRC dismissed Mr. Camson's appeal for lack of merit. It likewise denied Camson's Motion for Reconsideration on January 27, 2009. On April 16, 2009, we received a copy of Mr. Camson's Petition for Certiorari ("Petition") elevating the case to the CA. On January 17, 2011, the CA denied Mr. Camson's Petition. On February 8, 2011, we received Mr. Camson's Motion for Reconsideration of the CA's Decision, to which we filed our Comment on February 18, 2011. On May 25, 2011, we received a copy of the CA's Resolution dated May 19, 2011 denying Mr. Camson's Motion for Reconsideration. Undaunted, Mr. Camson filed a Petition for Review on Certiorari dated June 7, 2011 ("Petition") in the Supreme Court. The Supreme court however denied Mr. Camson's Petition in its Resolution dated August 8, 2011, to which Mr. Camson replied by filing his Motion for Reconsideration dated November 3, 2011 ("Motion"). On January 18, 2012 the Supreme Court resolved to deny Mr. Camson's motion with finality and ordered that the Entry of Judgment for the case be issued. We can now consider this case closed.

2. *In Re: Labor Dispute in Interphil Laboratories, Inc.*
NCMB RB IV-A-LAG-PM-07-043-11
(Our Ref. 1529.3046)

Sometime in May 2011, or after the signing of the Collective Bargaining Agreement ("CBA") between Interphil and Interphil Laboratories Employees' Union-FFW ("Union"), a group of CI and CII employees approached the Union seeking their inclusion in the grant of the educational assistance benefit under the CBA. Maintaining that CI and CII employees are outside the bargaining unit and hence outside the scope of the CBA, the Union refused the said request. Thus, the CI and CII employees approached Interphil and asked for their inclusion in the educational assistance benefit. In view of its equal treatment to its employees and after noting that the CI and CII employees have been paying agency fees to the Union, Interphil, in turn, asked the Union that the CI and CII employees be included in the educational assistance benefit. The Union however maintained its position and continued to refuse such request.

To resolve the issue, both Interphil and the Union decided to discuss the same through their Grievance Machinery. After several meetings, the issue remained unresolved prompting the parties to proceed to mediation and conciliation under DOLE-National Conciliation and Mediation Board. A series of mediation and conciliation conferences soon followed but to no avail. Thus, the Union decided to elevate the issue to voluntary arbitration. With the filing of the parties' respective pleadings, the case is now deemed submitted for resolution.

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
 15th Division, Court of Appeals, Manila

This is an action for Sum of Money and Damages which was filed by OEP Philippines Inc (“OEP”) against INTERPHIL for the recovery of the costs and expenses which it allegedly incurred in connection with the recall and destruction of Diltelan capsules consisting of 4,924 boxes of 90mg Diltelan capsules which Interphil undertook to package under their Manufacturing Agreement. As prayed for in its complaint, OEP is claiming Five Million One Hundred Eighty Three Thousand Five Hundred Twenty-Five and 05/100 (₱ 5,183,525.05) as actual damages, Three Hundred Six Thousand Six Hundred Forty-Eight and 81/100 (₱ 306,648.81) and as way of compensatory damages, One Hundred Thousand (₱ 100,000.00) as and by way of exemplary damages, Fifty Thousand (₱ 50,000.00) as attorney’s fees, litigation expenses, and costs of the suit. In its Decision dated 21 October 2011, the Court of Appeals rendered its decision denying the appeal made by INTERPHIL seeking the reversal and annulment of the Decision dated 24 January 2008, rendered by the Regional Trial Court of Makati City, Branch 62, in Civil Case No. 03-907, which ordered INTERPHIL to pay all of the claims of OEP above-mentioned. INTERPHIL filed its Motion for Reconsideration on 11 November 2011 seeking the reconsideration of the Decision dated 21 October 2011, and is now pending resolution before the Court of Appeals. As previously mentioned, the Regional Trial Court of Makati City has ordered INTERPHIL to pay all the above-mentioned claims of OEP in its Decision dated 24 January 2008. However, considering that the facts and law upon which the said Decision was based is weak and does not stand on a strong foundation, there is a great possibility that the said Decision will be eventually reversed and set aside.

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 2011 and first quarter of 2012.

		CLASS A		CLASS B	
		HIGH	LOW	HIGH	LOW
2012					
	January	1.85	1.85	1.55	1.55
	February	1.72	1.57	1.80	1.80
	March	2.17	1.95	2.05	2.05
2011					
	First Quarter	1.25	1.25	1.26	1.26
	Second Quarter	1.50	1.50	1.50	1.50
	Third Quarter	1.32	1.32	1.33	1.33
	Fourth Quarter	1.39	1.38	1.38	1.37
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

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, 2012 was 69% Filipino and 31% Foreign. The Company has a total of 412,064,596 shares outstanding as of December 31, 2011 (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 260,514,926 class "A" shares and 130,074,485 class "B" shares and 21,475,185 class "A" and class "B" shares. 416 stockholders hold class "A" shares, 73 hold class "B" shares and 27 stockholders own both class "A" and "B" shares for a total of 516 stockholders.

Top 20 stockholders as of March 31, 2012 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)	19,536,513	4.74
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	LUMEN TIAOQUI	150,000	0.04
11	EDUARDO M. CABRERA	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
	TOTAL	407,267,600	98.84

* 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 2011

Manchester recorded a consolidated net income of ₱ 89.6M for 2011 which was down by 33% from last year mainly due to lower revenues. Interest income increased by 48% to ₱ 4.7M from ₱ 3.2M due to higher cash and cash equivalents balance in banks.

Interphil Laboratories, Inc.

Although Interphil's volume continues to decline over the years, the Company has maintained its profitability as shown in the accumulated earnings as of December 31, 2011 of ₱ 343.6M. For the year 2011, net income before tax is ₱ 123.7M due to favorable purchase price variances, toll fee increases, and favorable product mix.

Lancashire Realty Holding Corp

Lancashire posted revenues of ₱ 6.0M for the year ended December 31, 2011 from rental of its land.

Plan of Operations in 2011

To maintain the business, the Parent Company aims to focus on its venture in manufacturing and property development.

The Company expects that Interphil will reasonably 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, 2012, December 31, 2011 and December 31, 2010.

	% INCREASE (DECREASE)	March 31, 2012 (Unaudited*)	March 31, 2011 (Unaudited*)
REVENUES (₱000)	8.4%	379,398	349,017
GROSS INCOME (₱000)	(38.1%)	31,814	51,380
NET INCOME (LOSS) (₱000)	(445%)	(31,788)	9,211
PROFIT (LOSS) PER SHARE (₱)	(445%)	(0.077)	0.022

	% INCREASE (DECREASE)	December 31, 2011 (Audited*)	December 31, 2010 (Audited*)
REVENUES (₱000)	(3.6%)	1,767,314	1,832,976
GROSS INCOME (₱000)	(16.7%)	305,158	366,400
NET INCOME (LOSS) (₱000)	(33.5%)	89,551	134,581
PROFIT (LOSS) PER SHARE (₱)	(33.5%)	0.217	0.327
TOTAL ASSETS (₱000)	5.1%	1,436,454	1,367,352

Interphil Laboratories, Inc (formerly First Pharma)

	% INCREASE (DECREASE)	December 31, 2011 (Audited*)	December 31, 2010 (Audited*)
VOLUME ('000 SPUs)	(13.0%)	58,355	67,053
REVENUES (₱000)	(3.6%)	1,767,314	1,832,976
GROSS INCOME (₱000)	(17.0%)	299,495	360,737
NET INCOME (₱000)	(33.1%)	89,353	133,609
TOTAL ASSETS (₱000)	5.3%	1,296,173	1,230,917
STOCKHOLDERS' EQUITY (₱000)	10.6%	931,768	842,415

Lancashire Realty Holding Corp.

	% INCREASE (DECREASE)	December 31, 2011 (Audited*)	December 31, 2010 (Audited*)
REVENUES (P000)	0%	6,044	6,044
GROSS INCOME (P000)	0%	5,663	5,663
NET INCOME(LOSS) (P000)	(74.3%)	241	935
TOTAL ASSETS (P000)	0.2%	114,317	114,064
STOCKHOLDERS' EQUITY (P000)	0.2%	114,152	113,912

* 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, 2012 vs December, 2011

There were some significant changes in the **Company's Consolidated Balance Sheet** as of March 31, 2012 versus December 31, 2011.

Current assets

The Company's total cash and cash equivalents went down by 17% to ₱316,512,656 on March 31, 2012 from ₱381,099,825 as of December 31, 2011 mainly due to the decrease in short-term investments resulting from decreased revenues.

Trade and other receivables decreased by 3% to ₱274,607,065 from ₱281,815,862, mainly due to efficient management of receivables.

Inventories increased to ₱286,447,450 on March 31, 2012 from ₱190,440,252 as of December 31, 2011 due to increase in purchases to support next quarter's production requirements.

Advances to suppliers and other current assets went up to ₱55,642,923 from ₱32,883,061 mainly due to increase in the required deposits/advances to suppliers of imported materials and related import and shipping charges.

Non-Current Assets

Property, plant and equipment, net of accumulated depreciation, decreased to ₱415,727,615 on March 31, 2012 from ₱418,459,062 as of December 31, 2011. The decrease is due to lower construction in progress.

Retirement benefit assets remained at ₱4,534,651.

Other non-current assets increased to ₱23,373,814 from ₱15,026,714. The increase is primarily due to creditable withholding taxes which represents deductions made by clients from billings for services rendered.

Current Liabilities

Trade and other payables went up by 33% to ₱406,500,836 on March 31, 2012 from ₱306,331,341 as of December 31, 2011 mainly due to higher purchases.

Net Output tax decreased by 66% to ₱ 7,430,975 from ₱21,817,568, mainly due to higher input tax for the quarter.

Non-Current Liabilities

Deferred tax liabilities – net of deferred tax assets remained at ₱9,610,140.

The Company's long-term sick leave benefit liability decreased by 5% to ₱33,563,615 from ₱34,971,400 due to lower accrual for employee benefits.

Full Years 2011 vs 2010

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

Current assets

The Company's total cash and cash equivalents went up by 11% to ₱381,099,825 in 2011 from ₱342,030,954 in 2010 because of additional income from operations. Likewise, short-term borrowings were fully settled in 2010.

Trade and Other receivables increased by 1% to ₱281,815,862 from ₱279,555,424 as a result of decrease in collections from client.

Inventories increased by 21% from ₱156,839,442 to ₱190,440,252 because of higher purchases of raw and packaging materials.

Advances to suppliers and other current assets went down by 6% from ₱34,979,835 to ₱32,883,061 due to decrease in advances to suppliers of imported materials and related import and shipping charges.

Noncurrent assets

Property, plant, and equipment, net of accumulated depreciation, decreased to ₱418,459,062 in 2011 from ₱437,089,720 in 2010. The decrease is due to the depreciation of ₱61,299,303 offset by acquisitions of ₱42,668,645.

Retirement benefit asset increased to ₱4,534,651 due to lower accrual of retirement benefits.

Other non-current assets increased by 222% from ₱4,662,080 to ₱15,026,714, due to additional deposit to MERALCO and deposit to a third party marketing company.

Current Liabilities

Trade and other payables went down to ₱306,331,341 due to decrease in intercompany payables.

Net Output tax decreased by 24% to ₱21,817,568 from ₱28,696,213, mainly due to lower collections generated in December.

Noncurrent Liabilities

Deferred tax liabilities – net of deferred tax assets went up to ₱9,610,140 on March 31, 2012 from ₱5,748,891 as of December 31, 2011 mainly due to lower deferred tax assets related to the provision for doubtful accounts and post employment benefits.

Retirement benefit liability decreased due to lower accrual of retirement benefits.

The Company's long-term sick leave benefits liability increased by 4% to ₱34,971,400 from ₱33,653,100 due to higher accrual of long term sick leave 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.

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 2008 to March 31, 2012:

- 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, 2012 vs. March, 2011

The Company registered consolidated revenues of ₱ 378,397,910 for the quarter ended March 31, 2012, 8% higher as compared to ₱349,016,780 for the same period in 2011. This is primarily due to higher volume and price increase of the manufacturing segment.

Consolidated cost of sales and services and operating expenses increased by 20%. For the quarter ended March 31, 2012, consolidated cost of sales and services and operating expenses is ₱ 410,282,642 compared with last year of ₱ 342,165,334, primarily due to significantly higher salaries and wages, utilities, and advertising expenses.

Consolidated net income decreased by 445% due to increase in cost of sales and services.

Full Years 2011 vs 2010

Consolidated revenues decreased by 4%, mainly due to the decline in volume of the manufacturing unit.

Consolidated cost of sales and services and operating expenses is almost the same at ₱1,462,155,996 in 2011 from ₱1,466,576,205 in 2010.

Consolidated net income is lower by 33% at ₱89,551,343 compared with ₱134,580,788 in 2010 due to lower revenues and higher operating expenses.

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.

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, 2012 and DECEMBER 31, 2011
 (in Millions of Pesos)

	MARCH	DECEMBER	VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	2012	2011	% to Total Assets		% of Change in Prior Year	
	UNAUDITED	AUDITED	Mar-12	Dec-11	Mar-12	
ASSETS						
Current assets						
Cash & Cash Equivalents	316.5	381.1	21%	27%	-17%	The decrease mainly came from lower short-term investments resulting from decreased revenues
Trade and other receivables-net	274.6	281.8	18%	20%	-3%	
Inventories - net	286.4	190.4	19%	13%	50%	Higher purchases to support 2nd quarter production requirements
Advances to suppliers and other current assets	55.6	32.9	4%	2%	69%	Required deposits/advances to suppliers of imported materials and related import and shipping charges
Total current assets	933.2	886.2	63%	62%	5%	
Noncurrent assets						
Property, plant and equipment at cost-net	415.7	418.5	28%	29%	-1%	
Land at revalued amount	112.2	112.2	8%	8%	0%	
Retirement benefit asset	4.5	4.5	0%	0%	0%	
Other Noncurrent assets	23.4	15.0	2%	1%	56%	Creditable withholding taxes which represents deductions made by clients from billings for services rendered
Total noncurrent assets	555.8	550.2	37%	38%	1%	
Total Assets	1,489.0	1,436.5	100%	100%	4%	

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
(formerly INTERPHIL LABORATORIES, INC.)
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2012 and DECEMBER 31, 2011
(in Millions of Pesos)

	MARCH	DECEMBER	VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	2012	2011	% to Total Assets		% of Change in Prior Year	
	UNAUDITED	AUDITED	Mar-12	Dec-11	Mar-12	
LIABILITIES AND EQUITY						
Current liabilities						
Trade and other payables	406.5	306.3	27%	21%	33%	The increase was mainly due to higher purchases
Output tax	7.4	21.8	0%	2%	-66%	The drop was due to higher input tax
Total current liabilities	413.9	328.2	28%	23%	26%	
Noncurrent liabilities						
Deferred income tax	9.6	9.6	1%	1%	0%	
Long-term sick leave benefits	33.6	35.0	2%	2%	-4%	The decrease was attributable to lower accrual of employee benefits
Total noncurrent liabilities	43.2	44.6	3%	3%	-3%	
EQUITY						
Capital stock	562.5	562.5	38%	39%	0%	
Additional paid-in capital	51.6	51.6	3%	4%	0%	
Revaluation increment in land	60.6	60.6	4%	4%	0%	
Retained earnings	645.7	677.5	43%	47%	-5%	The decrease was due to loss from operations
Cost of treasury shares held	(288.5)	(288.5)	-19%	-20%	0%	
Total equity	1,031.9	1,063.7	69%	74%	-3%	
Total liabilities and stockholders' equity	1,489.0	1,436.5	100%	100%	4%	

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED COR
(formerly INTERPHIL LABORATORIES, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 and 2011
(in Pesos 000s)

			VERTICAL ANALYSIS		HORIZONTAL ANALYSIS	Causes of Material Changes (With 5% as a Threshold)
	Mar 2012 UNAUDITED	Mar 2011 UNAUDITED	% to Revenues		% of Change in Prior Year Mar 2012	
			Mar 2012	Mar 2011		
REVENUES	378.4	349.0	100%	100%	8%	The increase was due to higher volume and price increase
COST OF SALES AND SERVICES	346.6	297.6	92%	85%	16%	The increase was due to increase in salaries & wages, and utilities expense
GROSS PROFIT	31.8	51.4	8%	15%	-38%	
Operating Expenses	63.7	44.5	17%	13%	43%	Higher due to increase in advertising expense, and salaries & wages
Interest income	(1.2)	(1.4)	0%	0%	-13%	Decreased due to lower cash and cash equivalents balance in banks
FX (gain)/loss	6.0	2.2	2%	1%	174%	Appreciation of the Phil. Peso vis-à-vis the US dollar
Other (income) expense - net	(4.9)	(7.3)	-1%	-2%	-33%	Lower due to decrease in billings of expired materials to clients
INCOME/(LOSS) BEFORE INCOME TAX	(31.8)	13.3	-8%	4%	-338%	
PROVISION FOR INCOME TAX	0.0	4.1	0%	1%	100%	Lower due to operating loss
NET INCOME	(31.8)	9.2	-8%	3%	-445%	
Basic Earnings per share(P)*	(0.077)	0.022	0%	0%	-445%	

* Net Income over the weighted number of shares outstanding

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)
	2011	2010	2011	2010	2011	
ASSETS						
Current Assets						
Cash and cash equivalents	381.1	342.0	27%	25%	11%	Increased because of additional income from operations; short-term borrowings were fully settled in 2010
Trade and other receivables - net	281.8	279.6	20%	20%	1%	
Inventories	190.4	156.8	13%	11%	21%	Increased because of higher purchases of raw and packaging materials
Advances to suppliers and other current assets	32.9	35.0	2%	3%	-6%	Lower due to decrease in advances from suppliers of imported matl's & related import & shipping charges
Total Current Assets	886.2	813.4	62%	59%	9%	
Noncurrent Assets						
Property, plant and equipment - net	418.5	437.1	29%	32%	-4%	
Land at revalued amount	112.2	112.2	8%	8%	0%	
Retirement benefit asset	4.5	-	0%	0%		Lower accrual of retirement benefit
Other noncurrent assets	15.0	4.7	1%	0%	222%	Increased due to additional deposit to MERALCO and deposit to a third party marketing company
Total Noncurrent Assets	550.2	553.9	38%	41%	-1%	
Total Assets	1,436.5	1,367.4	100%	100%	5%	

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)
	2011	2010	2011	2010	2011	
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	306.3	323.7	21%	24%	-5%	Declined due to decrease in intercompany payables
Output tax payable	21.8	28.7	2%	2%	-24%	Dropped due to lower collections in December
Total Current Liabilities	328.1	352.4	23%	26%	-7%	
Noncurrent Liabilities						
Deferred tax liabilities - net	9.6	5.7	1%	0%	67%	Up due to lower deferred tax assets related to the provision for doubtful accounts and post employment benefits
Retirement benefit liability	-	1.4	0%	0%	-100%	
Long-term sick leave benefits liability	35.0	33.7	2%	2%	4%	Up due to higher accrual for employee benefits
Total Noncurrent Liabilities	44.6	40.8	3%	3%	9%	
Equity						
Capital stock	562.5	562.5	39%	41%	0%	
Additional paid-in capital	51.6	51.6	4%	4%	0%	
Revaluation increment in land - net of deferred tax liability of 26.0 million in 2010 and 2009	60.6	60.6	4%	4%	0%	
Retained earnings	677.5	587.9	47%	43%	15%	Improved due to the net income for the year
Cost of treasury shares held	(288.5)	(288.5)	-20%	-21%	0%	
Total Equity	1,063.7	974.2	74%	71%	9%	
Total Liabilities & Stockholders' Equity	1,436.5	1,367.4	100%	100%	5%	

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)
	2011	2010	2011	2010	2011	
REVENUES	1,767.3	1,833.0	100%	100%	-4%	
COST OF SALES AND SERVICES	1,462.2	1,466.6	83%	80%	0%	
GROSS INCOME	305.2	366.4	17%	20%	-17%	
Operating expenses	(203.9)	(187.1)	-12%	-10%	9%	Increased due to surge in advertising and promotions
Interest income	4.7	3.2	0%	0%	48%	Increased due to higher cash and cash equivalents balance in banks
Foreign exchange loss - net	(4.3)	(14.6)	0%	-1%	-70%	Exchange rate of Peso vs Dollar is more stable in 2011 than in 2010
Equity in net income of a joint venture	3.5	7.7	0%	0%	-54%	Down due to decrease in income of the joint venture
Interest expense	-	(5.0)	0%	0%	-100%	Dropped due to settlement of loans in 2010
Other income - net	18.8	17.2	1%	1%	9%	Up due to higher miscellaneous income billed to clients
INCOME BEFORE INCOME TAX	124.0	187.9	7%	10%	-34%	
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)						
Current	30.6	48.3	2%	3%	-37%	Decreased due to lower income
Deferred	3.9	5.0	0%	0%	-23%	Decreased due to higher deferred tax asset
	34.5	53.3	2%	3%	-35%	
NET INCOME	89.6	134.6	5%	7%	-33%	
OTHER COMPREHENSIVE INCOME	-	-	0%	0%		
TOTAL COMPREHENSIVE INCOME	89.6	134.6	5%	7%	-33%	
Basic/Diluted Profit Per Share (Note 21)	0.217	0.327	0%	0%	-33%	Decreased due to lower income

Item 7. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 32) 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, 2011 and 2010, the fees for audit work performed by Sycip Gorres Velayo & Co. for the parent company and its subsidiaries were as follows:

	2011	2010
External audit fees and services	₱800,000	₱575,000
Tax fees	-	-
Out-of-pocket expenses	104,397	126,527

- 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, tax compliance audit, 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 disagreements on 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	65	Filipino	1	Since 1995
Kasigod V. Jamias Director / Treasurer	64	Filipino	1	Since 1991
Jose O. Juliano Director / Vice-Chairman of the Board	79	Filipino	1	Since 1987
Paul Kleiner Director	84	Filipino	1	Since 19 74
Renato B. Magadia Director	74	Filipino	1	Since 1975
Ricardo J. Romulo Director/Chairman of the Board	79	Filipino	1	Since 1995
Salvador C. Medialdea Director	60	Filipino	1	Since 2009
Ramon Y. Dimacali Director	63	Filipino	1	Since 2008
Ana Liza A. Peralta Corporate Secretary	43	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 79, 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, 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 79, 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 65, 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 64, Filipino, Director / Treasurer and member of the Nominating and Audit Committees

He is the Chairman/President of Interpharma Holdings and Management Corporation and the Zuellig Corporation, President of Mercator Holdings and Management Corporation, Filstar Development Corporation, F. E. Zuellig (M), Inc. and serve as officer and director in other companies in the Zuellig Group.

Mr. Renato B. Magadia 74, 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, 84, Filipino, Director 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, 60, Filipino, Independent Director and Chairman of the Audit Committee 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, 63, Filipino, Director and member of the Nominating Committee

He is the President and CEO of Federal Phoenix Assurance Co., Inc. since 2002. He is an Independent Director of Roxas & Company, Inc. since 2004 and of Manchester Holdings Unlimited Corporation since July, 2008. He is the Chairman of Asia Pacific College since 1994 and 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, 43, 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), 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), Howden Insurance & Reinsurance Brokers (Phil.), Inc. (since May, 1997 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), 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, 2012**, 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	2012 (Estimate)	36,384,492	13,265,316	49,649,808
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	2011 (Actual)	31,156,710	11,787,988	42,944,698
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	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				
All officers and directors as a group unnamed	2012 (Estimate)	36,384,492	13,265,316	49,649,808
	2011 (Actual)	31,156,710	11,787,988	42,944,698
	2010 (Actual)	30,035,794	10,934,479	40,970,273

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 2011 is ₱ 0.765 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, 2012, 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"	Pharma Industries Holdings Limited (formerly Khatibi Holdings Limited 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%

¹Interpharma 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, 2012:

Title Common	Name of Beneficial Owner	Citizenship	Amount and Nature of Record/Beneficial Ownership	Percent to Total Outstanding Shares
Directors				
"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
Executive Officers				
"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 2011.

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 88).

(b) Reports on SEC Form 17-C

April 11, 2011	<p>Informs the Commission of the Board of Directors of Manchester International Holdings Unlimited Corporation approval to hold the Annual Stockholders' Meeting on June 17, 2011 and has set the record date to May 2, 2011.</p>																					
April 19, 2011	<p>Reported the nomination of the following stockholders as directors of Manchester International Holdings Unlimited Corporation for fiscal year 2011-2012:</p> <ol style="list-style-type: none"> 1. Francisco R. Billano 2. Kim Campbell 3. Ramon Y. Dimacali 4. Kasigod V. Jamias 5. Jose O. Juliano 6. Paul Kleiner 7. Renato B. Magadia 8. Salvador Medialdea 9. Ricardo J. Romulo <p>Atty. Salvador Medialdea and Dr. Jose O. Juliano are the independent directors of Manchester International Holdings Unlimited Corporation</p>																					
June 17, 2011	<p>Reported the election of the following as directors of Manchester International Holdings Unlimited Corporation for fiscal year 2011-2012:</p> <ol style="list-style-type: none"> 1. Francisco R. Billano 2. Kim Campbell 3. Ramon Y. Dimacali 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 <p>Reported the election of the following as corporate officers of the Corporation:</p> <table border="0"> <tr> <td>Ricardo J. Romulo</td> <td>-</td> <td>Chairman</td> </tr> <tr> <td>Jose O. Juliano</td> <td>-</td> <td>Vice-Chairman</td> </tr> <tr> <td>Francisco R. Billano</td> <td>-</td> <td>President/General Manager</td> </tr> <tr> <td>Kasigod V. Jamias</td> <td>-</td> <td>Treasurer</td> </tr> <tr> <td>Carmen T. Francisco</td> <td>-</td> <td>Chief Financial Officer</td> </tr> <tr> <td>Helen F. Tanwangco</td> <td>-</td> <td>VP-Quality & Technical Services</td> </tr> <tr> <td>Ana Liza A. Peralta</td> <td>-</td> <td>Corporate Secretary</td> </tr> </table>	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	Helen F. Tanwangco	-	VP-Quality & Technical Services	Ana Liza A. Peralta	-	Corporate Secretary
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																				
Helen F. Tanwangco	-	VP-Quality & Technical Services																				
Ana Liza A. Peralta	-	Corporate Secretary																				

OTHER REPORTS/DISCLOSURES SUBMITTED TO PSE/SEC

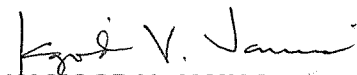
March 14, 2011	Reported to the Exchange that the calamity in Japan has no effect on the operations of Manchester International Holdings Unlimited Corporation nor of its subsidiaries
December 20, 2011	Submit Certification signed and executed by the Company's independent directors.
December 22, 2011	Certification confirming the Company's compliance to its Manual of Corporate Governance.
January 17, 2012	Certification of the Company Directors' attendance to its special and regular board meetings from January 1, 2011 to January 17, 2012.

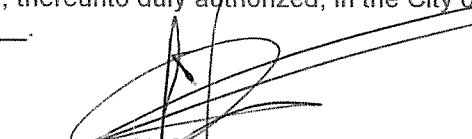
MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP
(formerly INTERPHIL LABORATORIES, INC.)

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 _____ on _____, 20__.


KASIGOD V. JAMIAS
 Treasurer


FRANCISCO R. BILLANO
 President & General Manager



ANA LIZA A. PERALTA
 Corporate Secretary


CARMEN T. FRANCISCO
 Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 26 2012 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	07057632	February 22, 2012	Makati
Atty. Ana Liza A. Peralta	27162639	January 2, 2012	San Marcelino, Zambales
Mr. Francisco R. Billano	01477675	January 12, 2012	Manila
Ms. Carmen T. Francisco	01477676	January 12, 2012	Manila

DOC NO.: 53 :
 PAGE NO.: 13 :
 BOOK NO.: XVIII :
 SERIES OF 212


ATTY. GERVACIO B. ORTIZ JR
 Notary Public
 NOTARY PUBLIC FOR MAKATI CITY
 UNTIL DECEMBER 31, 2012
 ROLL OF ATTORNEY NO. 40091
 MCLE COMPLIANCE NO. III-0014282
 IBP NO. 656755-LIFETIME MEMBER
 PTR NO. 3173160, JAN. 2, 2012 MAKATI CITY

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

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

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 as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A and have issued our report thereon dated March 20, 2012. 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 the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) 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 information 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 (Group A),
February 3, 2011, valid until February 2, 2014
Tax Identification No. 191-180-015
BIR Accreditation No. 08-001998-95-2011,
February 4, 2011, valid until February 3, 2014
PTR No. 3174806, January 2, 2012, Makati City

March 20, 2012



MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2011

Name and Designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Non Current	Balance at end of period
			Amounts Collected	Amount Written-Off			
Guinto, Dominador	P 185,000	P -	P 60,000	P -	P 60,000	P 65,000	P 125,000
Hitchon, Rupert	582,488	212,120	60,000	-	60,000	674,608	734,608
Mangulabnan, Julie	267,500	-	60,000	-	60,000	147,500	207,500
Roasa, Alvin Roman	270,000	-	60,000	-	60,000	150,000	210,000
Punongbayan, Alan	114,753	-	60,000	-	54,753	-	54,753
Ramirez, Raquel	-	300,000	20,000	-	60,000	220,000	280,000
Soliven, Mario Carlo	170,000	-	60,000	-	60,000	50,000	110,000
	P 1,589,741	P 512,120	P 380,000	P -	P 414,753	P 1,307,108	P 1,721,861

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

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
As of December 31, 2011

Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions				Non-Current	Balance at the End of Period
			Amounts Collected ⁱ	Amounts Written off ⁱⁱ	Current			
Lancashire Realty Holding Corporation	11,831,523.55	5,044,000.00	16,875,523.55	-	-	-	-	
Manchester International Holdings Unlimited Corporation	1,223,484.16	878,099.97	2,101,584.13	-	-	-	-	

- i. If collection is other than cash, explain: *Combination of Cash and Application of AR Vs AP*
 - ii. Give reasons for write off
- Note: Receivable of Interphil from Manchester and Lancashire (Management fees)

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
As of December 31, 2011

Name & Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions				Non-Current	Balance at the End of Period
			Amounts Collected ⁱ	Amounts Written off ⁱⁱ	Current			
Interphil Laboratories Inc	12,933,732.00	6,466,866.00	18,375,523.55	-	-	-	1,025,074.45	
Interphil Laboratories Inc	1,401,231.20	912,820.80	2,101,584.13	-	-	-	212,467.87	

- i. If collection is other than cash, explain: *Application of AR against AP balance*
 - ii. Give reasons for write off
- Note: Receivable of Manchester and Lancashire from Interphil

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORP
Schedule H. Capital Stock
December 31, 2011

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

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2011

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
Canlubang Industrial Estate
Bo. Pittland, Cabuyao, Laguna

Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>		₱331,933,857
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings	<u>(₱42,847)</u>	
Less: Non-actual/unrealized income net of tax	--	
Equity in net income of associate/joint venture	--	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	--	
Unrealized actuarial gain	--	
Fair value adjustment (mark-to-market gains)	--	
Fair value adjustment of investment property resulting to gain	--	
Adjustment due to deviation from PFRS/GAAP - gain	--	
Other unrealized gains or adjustments to Retained Earnings as a result of certain transactions accounted for under PFRS	--	
Subtotal	<u> --</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	--	
Adjustment due to deviation from PFRS/GAAP - loss	--	
Loss on fair value adjustment of investment property (after tax)	--	
Subtotal	<u> --</u>	
Net income actually earned during the period		<u>(42,847)</u>
Add (less):		
Dividend declarations during the period	--	
Appropriations of Retained Earnings during the period	--	
Reversals of appropriations	--	
Effects of prior period adjustments	--	
Treasury shares	--	
	<u> --</u>	
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		<u>₱331,891,010</u>

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
Key Performance Indicators
For the years ended December 31, 2011 and 2010

		2011	2010
Current ratio	Current assets over current liabilities	2.70	2.31
Debt-to-equity ratio	Total liabilities over stockholders' equity	0.35	0.40
Asset to equity ratio	Total assets over total equity	1.35	1.40
Interest rate coverage ratio	Earnings before interest expense and taxes over interest expense	-	38.83
Return on assets	Net income over total assets	6.23%	9.84%
Return on equity	Net income over stockholders' equity	8.42%	13.81%

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION

**Mapping of relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates
As of December 31, 2011**



MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2011:

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Adopted
PFRS 2, <i>Share-based Payment</i>	Not applicable
PFRS 3, <i>Business Combinations</i>	Not applicable
PFRS 4, <i>Insurance Contracts</i>	Not applicable
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not applicable
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Not applicable
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Not applicable
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Not applicable
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Not applicable
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not applicable
PAS 31, <i>Interests in Joint Ventures</i>	Adopted
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Adopted
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Not applicable
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Not applicable
PAS 41, <i>Agriculture</i>	Not applicable

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
Philippine Interpretation IFRIC-4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC-14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Adopted
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION

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	89
(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 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
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 or 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 to 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
Andrelina 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:

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 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

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Page No. 33
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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

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:

Name	Nationality	Residence (Complete Address)
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:

Name	Nationality	Residence (Complete Address)
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 16th 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 21st 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
Andreлина 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

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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 15th 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.

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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

SEC Registration Number 5 8 6 4 8

MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION AND SUBSIDIARIES

(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 7

Month Day (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

516

Total No. of Stockholders

Total Amount of Borrowings Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

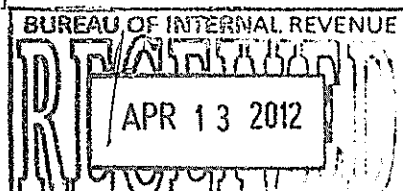
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS


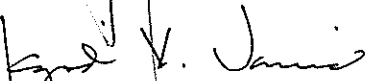
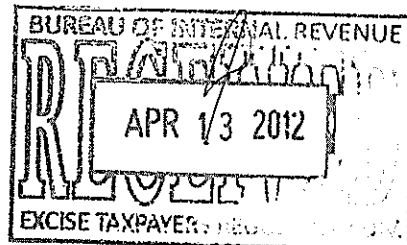
The management of Manchester International Holdings Unlimited Corp is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls 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.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the shareholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



RICARDO J. ROMULO
Chairman of the Board



FRANCISCO R. BILLANO
President & General Manager
KASIGOD V. JAMIAS
Treasurer

Signed this 20th day of March 2012

SUBSCRIBED AND SWORN to before me this _____ day of APR 13 2012 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	07051008	February 15, 2012	Makati
Mr. Francisco R. Billano	01477675	January 12, 2012	Manila
Mr. Kasigod V. Jamias	07057632	February 22, 2012	Makati

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SERIES OF 2010


DANIEL T. ALVIAR
NOTARY PUBLIC
MY COMMISSION EXPIRES ON 12-31-13
MP REG. NO. 650975/07 JAN. 2012/LAGUNA CHAPTER
PTR NO. 1145481/03 JAN. 2012/SAN PEDRO, LAGUNA
ROLL NO. 49317

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, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 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 (Group A),

February 3, 2011, valid until February 2, 2014

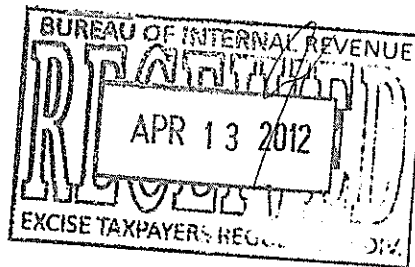
Tax Identification No. 191-180-015

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

February 4, 2011, valid until February 3, 2014

PTR No. 3174806, January 2, 2012, Makati City

March 20, 2012

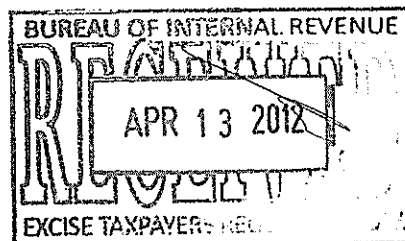


**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
AND SUBSIDIARIES**

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, 2011	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱587,940,235	(₱288,514,127)	₱974,172,635
Net income	--	--	--	--	89,551,343	--	89,551,343
Other comprehensive income	--	--	--	--	--	--	--
Total comprehensive income	--	--	--	--	89,551,343	--	89,551,343
Balance at December 31, 2011	₱337,500,000	₱225,000,000	₱51,629,327	₱60,617,200	₱677,491,578	(₱288,514,127)	₱1,063,723,978
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

See accompanying Notes to Consolidated Financial Statements.

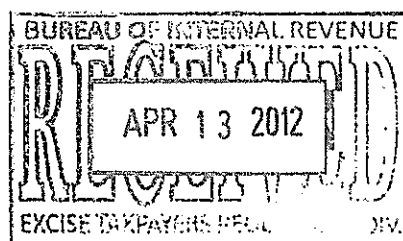


**MANCHESTER INTERNATIONAL HOLDINGS UNLIMITED CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

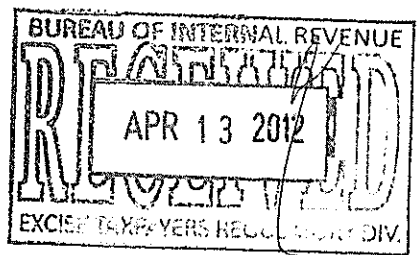
	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P124,045,301	P187,913,623	P216,898,945
Adjustments for:			
Depreciation and amortization (Note 9)	61,299,303	76,776,747	83,561,952
Interest income (Note 5)	(4,743,730)	(3,209,630)	(3,036,989)
Equity in net income of a joint venture (Note 11)	(3,549,881)	(7,709,043)	(612,551)
Unrealized foreign exchange gain - net	(398,907)	(178,334)	(144,323)
Loss (gain) on disposal of property, plant and equipment	(193,304)	(634,816)	1,868
Interest expense (Note 12)	-	4,966,992	25,946,871
Operating income before working capital changes	176,458,782	257,925,539	322,615,773
Provisions for:			
Retirement and long-term sick leave benefits (Notes 17 and 20)	8,693,428	13,126,954	12,581,939
Probable losses on creditable withholding tax (Note 16)	-	-	51,609,510
Reversal of prior year allowance on creditable withholding tax	(3,489,151)	(16,329,392)	-
Changes in current assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	(2,260,438)	42,839,165	41,248,033
Inventories	(33,600,810)	42,806,749	43,976,196
Advances to suppliers and other current assets	2,096,774	(9,370,978)	13,355,899
Increase (decrease) in:			
Trade and other payables payable	(17,381,095)	(32,325,356)	25,343,800
Output tax payable	(6,878,645)	(3,460,803)	4,902,650
Net cash generated from operations	123,638,845	295,211,878	515,633,800
Income tax paid	(27,143,558)	(32,041,367)	(33,171,915)
Contribution to plan assets and payments of early retirement and long-term sick leave benefits (Notes 17 and 20)	(13,278,959)	(23,893,053)	(22,379,777)
Interest received	4,743,730	3,209,630	3,036,989
Net cash provided by operating activities	87,960,058	242,487,088	463,119,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 9)	(42,668,645)	(22,966,227)	(30,399,557)
Proceeds from sale of property, plant and equipment	193,304	634,816	34,446
Decrease (increase) in noncurrent assets	(6,814,753)	7,385,598	16,529,345
Net cash used in investing activities	(49,290,094)	(14,945,813)	(13,835,766)

(Forward)



	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	P- (P130,000,000)	(P400,000,000)	
Interest	-	(4,966,992)	(25,467,010)
Proceeds from availments of notes payable	-	-	130,000,000
Net cash used in financing activities	-	(134,966,992)	(295,467,010)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	398,907	183,793	123,580
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,068,871	92,758,076	153,939,901
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	342,030,954	249,272,878	95,332,977
CASH AND CASH EQUIVALENTS AT END OF YEAR	P381,099,825	P342,030,954	P249,272,878

See accompanying Notes to Consolidated Financial Statements.



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. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date otherwise, these are classified as noncurrent liabilities.

This category includes 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, 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.

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.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

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 period 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.
- Revenue from sale of goods are recognized at fair value of the consideration received when the rewards of ownership of the goods have passed to the buyer upon delivery.
- Rent income (shown as part of "Other 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 services 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.

The Company as a lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company as a lessee. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

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 sheet.

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 consolidated statement of comprehensive income.

Improvements to PFRS (2010)

Improvements to PFRS; an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Except as otherwise stated, the adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company.

- PFRS 7, *Financial Instruments - Disclosures*. The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflects the revised disclosure requirements in Note 23.
- PAS 1, *Presentation of Financial Statements*. The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Company provides this analysis in the consolidated statement of comprehensive income.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company.

- PFRS 3, *Business Combinations* (Measurement of non-controlling interest) (effective for annual periods beginning on or after July 1, 2011)
- PFRS 3, *Business Combinations* [Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.



Effective in 2012

- Amendment to PAS 1, *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*. The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- Amendment to PAS 12, *Income Taxes - Recovery of Underlying Assets*. The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

Effective in 2013

- Amendments to PAS 19, *Employee Benefits*. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company will consider the changes in its separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities
 - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position
 - c. The net amounts presented in the statement of financial position
 - d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32
 - ii. Amounts related to financial collateral (including cash collateral)
 - e. The net amount after deducting the amounts in (d) from the amounts in (c) above

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 11, *Joint Arrangements*. PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests with Other Entities*. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*. These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company is currently assessing impact of the amendments to PAS 32.

Effective in 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*. PFRS 9 as issued reflects the first phase 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, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012.
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation, effective for annual periods beginning on or after January 1, 2015, 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. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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 lessor and as a lessee.

Company as a Lessor. The Company has entered into lease agreements as a lessor covering 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. The Company accounts for the contracts as operating leases 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 leased assets.

Rent income amounted to ₱4.5 million in 2011, ₱3.6 million in 2010 and ₱0.4 million in 2009, respectively (see Note 18).

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 various warehouses, machineries and equipment. The Company accounts for the contracts as operating leases 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.

Rent expense amounted to ₱43.0 million in 2011, ₱40.6 in 2010 and ₱44.9 million in 2009, respectively (see Notes 15, 16, 18 and 22).

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

Estimates and Assumptions

The key estimates and 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 amounts 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 assessments. 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 assessment 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 ₱4.2 million in 2011, 15.6 million in 2010 and nil in 2009 (see Note 16). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱281.8 million and ₱279.6 million as of December 31, 2011 and 2010, respectively (see Note 6).

Estimating Net Realizable Values of Inventories. The Company carries its inventories at net realizable value when these become 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 ₱190.4 million and ₱156.8 million as of December 31, 2011 and 2010, respectively (see Note 7). Provision for inventory obsolescence amounted to ₱0.6 million in 2009. There were no provisions for inventory obsolescence in 2011 and 2010.

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 as of December 31, 2011 and 2010 (see Note 11). No impairment losses were recognized in 2011, 2010 and 2009.

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 operational 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 ₱418.5 million and ₱437.1 million as of December 31, 2011 and 2010, 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 2011, 2010 and 2009. The carrying values of property, plant and equipment amounted to ₱418.5 million and ₱437.1 million as of December 31, 2011 and 2010, respectively (see Note 9). The carrying values of investment and advances amounted to ₱6.0 million and ₱2.5 million as of December 31, 2011 and 2010, 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 2011 and 2010.

The fair value of the land amounted to ₱112.2 million as of December 31, 2011 and 2010 (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 ₱29.4 million and ₱34.9 million as of December 31, 2011 and 2010, respectively (see Note 19). The carrying value of creditable withholding tax amounted to nil as of December 31, 2011 and 2010. Provision for probable losses on creditable withholding tax amounted to nil in 2011 and 2010, and ₱51.6 million in 2009 (see Note 16).

The Company also has unrecognized deferred tax assets arising from certain provisions, NOLCO and MCIT amounting to ₱5.3 million and ₱9.9 million as of December 31, 2011 and 2010, 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 (asset) and long-term sick leave benefits liability amounted to (₱4.5) million and ₱1.4 million; and ₱35.0 million and ₱33.7 million, as of December 31, 2011 and 2010, respectively. Net cumulative unrecognized actuarial gain amounted to ₱31.1 million and ₱43.8 million as of December 31, 2011 and 2010, respectively (see Note 20).

5. Cash and Cash Equivalents

	2011	2010
Cash on hand and in banks	₱101,603,553	₱67,054,571
Cash equivalents	279,496,272	274,976,383
	₱381,099,825	₱342,030,954

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 ₱4.7 million, ₱3.2 million and ₱3.0 million in 2011, 2010 and 2009 respectively.

6. Trade and Other Receivables

	2011	2010
Trade	₱260,222,076	₱248,197,906
Receivables from related parties (see Note 18)	2,784,464	17,802,341
Others	25,005,005	29,137,191
	288,011,545	295,137,438
Less allowance for doubtful accounts	6,195,683	15,582,014
	₱281,815,862	₱279,555,424

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	
	2011	2010	2011	2010
Balance at beginning of year	₱14,149,814	₱10,592,011	₱1,432,200	₱17,901,971
Provision (see Note 16)	4,196,752	14,149,814	-	1,432,200
Recovery of prior year allowance	(452,875)	(10,295,961)	-	(17,901,971)
Write-off	(13,130,208)	(296,050)	-	-
Balance at end of year	₱4,763,483	₱14,149,814	₱1,432,200	₱1,432,200

No collective impairment was provided in 2011 and 2010.

7. Inventories

	2011	2010
At net realizable value -		
Raw and packaging materials	₱160,843,796	₱137,562,378
At cost:		
Goods in process	27,000,941	16,883,628
Supplies	2,595,515	2,393,436
	₱190,440,252	₱156,839,442

The cost of raw and packaging materials amounted to ₱164.3 million and ₱141.6 million, as of December 31, 2011 and 2010, 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

	2011	2010
Prepaid insurance (see Note 18)	₱11,820,832	₱11,901,066
Advances to suppliers	10,234,675	15,059,835
Other prepaid expenses	10,827,554	8,018,934
	₱32,883,061	₱34,979,835



9. Property, Plant and Equipment

	2011				Total
	Buildings and Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment	Construction in Progress	
Cost:					
Balance at beginning of year	₱801,760,558	₱572,593,248	₱83,957,196	₱-	₱1,458,311,002
Additions	-	30,080,408	1,526,131	11,062,106	42,668,645
Disposals	-	(2,165,000)	(120,000)	-	(2,285,000)
Balance at end of year	801,760,558	600,508,656	85,363,327	11,062,106	1,498,694,647
Accumulated depreciation and amortization:					
Balance at beginning of year	446,684,457	500,492,896	74,043,929	-	1,021,221,282
Depreciation and amortization (see Notes 15 and 16)	26,940,254	27,539,354	6,819,695	-	61,299,303
Disposals	-	(2,165,000)	(120,000)	-	(2,285,000)
Balance at end of year	473,624,711	525,867,250	80,743,624	-	1,080,235,585
Net book value	₱328,135,847	₱74,641,406	₱4,619,703	₱11,062,106	₱418,459,062

	2010				Total
	Buildings and Leasehold Improvements	Machinery and Equipment	Office Furniture, Fixtures and Equipment		
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

Amortization of capitalized borrowing cost amounted to ₱5.6 million in 2011, 2010 and 2009. There were no borrowing costs capitalized in 2011, 2010 and 2009.

10. Land at Revalued Amount

	2011	2010
Land - at cost	₱25,599,000	₱25,599,000
Appraisal increase	86,596,000	86,596,000
	₱112,195,000	₱112,195,000

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 2011 and 2010.

11. Other Noncurrent Assets

	2011	2010
Investment and advances - net	₱6,028,754	₱2,478,873
Deposits (see Notes 23 and 24)	3,214,262	338,451
Available-for-sale financial asset (see Notes 23 and 24)	330,000	330,000
Others	5,453,698	1,464,756
	₱15,026,714	₱4,662,080

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:

	2011	2010
Acquisition cost	₱25,000,000	₱25,000,000
Accumulated equity in net loss:		
Balance at beginning of year	22,521,127	30,230,170
Equity in net income	(3,549,881)	(7,709,043)
Balance at end of year	18,971,246	22,521,127
	₱6,028,754	₱2,478,873

The Company's proportionate share in the assets, liabilities, revenues and net income of GPI as of December 31, 2011, 2010 and 2009 and for the years then ended is as follows:

	2011	2010	2009
Current assets	₱11,713,918	₱4,802,732	₱3,039,639
Noncurrent assets	11,188,974	12,811,412	14,385,615
Current liabilities	2,711,935	973,067	8,493,221
Revenue	15,487,769	16,067,230	1,640,111
Net income	3,549,881	7,709,043	612,551

The change in the fair value of available-for-sale financial asset as of December 31, 2011 and 2010 is not material.

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%. The loans were fully paid in 2010.

Interest expense on notes payable amounted to nil in 2011, ₱5.0 million in 2010 and ₱25.9 million in 2009.

13. Trade and Other Payables

	2011	2010
Trade	₱229,441,385	₱214,230,832
Accruals for:		
Personnel costs	56,394,923	59,579,378
Others	6,916,987	7,500,154
Nontrade	5,504,377	36,875,963
Others	8,073,669	5,526,109
	₱306,331,341	₱323,712,436

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, 2011 and 2010.
- e. The retained earnings balance as of December 31, 2011 and 2010 is restricted for dividend declaration for the cost of shares held in treasury.
- f. As of December 31, 2011, the Parent Company has 516 stockholders.

15. Cost of Sales and Services

	2011	2010	2009
Direct materials	₱643,751,028	₱643,511,966	₱729,222,330
Personnel (see Notes 17 and 20)	460,295,370	445,745,110	466,047,185
Utilities	127,926,301	130,679,534	102,915,645
Rental and outside services (see Notes 18 and 22)	62,143,864	63,251,632	61,892,556
Manufacturing supplies	54,662,657	47,244,274	46,943,201
Repairs and maintenance	52,492,877	61,507,016	37,485,413
Depreciation and amortization (see Note 9)	51,582,052	67,252,135	76,872,641
Insurance and shipping cost (see Note 18)	8,665,958	4,428,016	14,757,998
Others	635,889	2,956,522	12,361,931
	₱1,462,155,996	₱1,466,576,205	₱1,548,498,900

16. Operating Expenses

	2011	2010	2009
Personnel (see Notes 17 and 20)	₱99,537,637	₱94,728,016	₱90,781,721
Rental and outside services (see Notes 18 and 22)	31,209,609	27,824,515	30,941,304
Supplies	10,486,855	15,621,196	4,620,441
Depreciation and amortization (see Note 9)	9,717,251	9,524,612	6,689,311
Taxes and licenses	9,230,113	8,959,712	10,860,765
Utilities	6,183,914	6,236,981	4,364,575
Repairs and maintenance	5,390,192	3,166,543	4,791,985
Provision for doubtful accounts (see Note 6)	4,196,752	15,582,014	—
Entertainment, amusement and representation	2,977,147	2,551,023	2,829,585
Insurance (see Note 18)	332,358	376,211	194,867
Provision for possible losses on creditable withholding tax (see Note 4)	—	—	51,609,510
Others	24,609,964	2,487,740	3,614,331
	₱203,871,792	₱187,058,563	₱211,298,395

17. Personnel Expenses

	2011	2010	2009
Salaries, wages and employee benefits	₱525,515,024	₱505,640,367	₱522,063,476
Transportation and travel	25,624,555	21,705,805	22,183,491
Retirement benefits (see Notes 18 and 20)	5,148,290	12,197,825	11,359,780
Long-term sick leave benefits (see Notes 18 and 20)	3,470,038	(607,871)	1,222,159
Early retirement benefit	75,100	1,537,000	—
	₱559,833,007	₱540,473,126	₱556,828,906

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 ₱14.1 million in 2011, ₱40.4 million in 2010 and ₱53.0 million in 2009. Related receivables, included under "Trade and other receivables" account in the consolidated balance sheets, amounted to ₱1.8 million and ₱17.3 million as of December 31, 2011 and 2010, respectively.
- b. The Company has renewable lease agreements with ZPC covering its Canlubang warehouse. On July 2011, ZPC and Interphil amended the lease agreement to effect the following: (a) extend the lease period for a period of one year beginning on January 1, 2011 and to expire at midnight of December 31, 2011; (b) monthly rental to increase to ₱2.5 million exclusive of VAT. The aggregate minimum annual rental under these lease agreements amounts to ₱30.3 million. Lease rentals charged to operations amounted to ₱30.3 million in 2011, ₱29.6 million in 2010 and ₱29.1 million in 2009. The Company has no outstanding liability related to these agreements as of December 31, 2011 and 2010.
- 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 ₱4.5 million in 2011, ₱3.6 million in 2010 and ₱0.4 million in 2009. The related rent receivable, included under "Trade and other receivables" account in the consolidated balance sheets, amounted to ₱1.0 million and ₱0.5 million as of December 31, 2011 and 2010, 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 2011, ₱6.6 million in 2010 and ₱6.3 million in 2009.
- e. Compensation of key management personnel of the Company are as follows:

	2011	2010	2009
Short-term employee benefits	₱78,061,746	₱70,657,037	₱68,880,323
Post-employment benefits:			
Retirement benefits	765,077	873,237	810,991
Long-term sick leave benefits	714,100	589,541	156,300
	₱79,540,923	₱72,119,815	₱69,847,614

- 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:

	2011	2010
Deferred tax liabilities:		
Revaluation increment in land	₱25,978,800	₱25,978,800
Unamortized portion of capitalized interest	12,877,870	14,567,721
Unrealized foreign exchange gain - net	119,672	53,500
	38,976,342	40,600,021
Deferred tax assets:		
Accrued personnel expenses	21,929,867	23,423,224
Allowance for:		
Doubtful accounts	1,858,705	4,674,604
Excess of cost of inventories over the net realizable value	1,023,694	1,220,021
Unamortized past service costs on contributions	4,553,936	5,533,281
	29,366,202	34,851,130
	₱9,610,140	₱5,748,891

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

	2011	2010
Provisions	₱4,500,000	₱4,500,000
NOLCO	788,711	409,379
MCIT	-	4,984,403
	₱5,288,711	₱9,893,782

Details of NOLCO which can be claimed as deduction from regular taxable income are as follows:

Year Incurred	Expiry Year	Amount
2010	2013	₱1,364,596
2011	2014	1,264,440
		₱2,629,036

MCIT amounting to ₱5.0 million and ₱6.4 million expired on December 31, 2011 and 2010, respectively.

The provision for income tax represents RCIT in 2011, 2010 and 2009.

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

	2011	2010	2009
Provision for income tax			
computed at statutory rates	₱37,213,590	₱56,374,087	₱65,069,684
Income tax effects of:			
Interest income already			
subjected to final tax rate	(1,423,119)	(962,889)	(911,097)
Equity in net income			
of a joint venture	(1,064,964)	(2,312,713)	(183,766)
Nontaxable income	(1,046,745)	(4,898,818)	—
Nondeductible expenses	435,864	223,789	40,317,401
Changes in unrecognized			
deferred tax assets	379,332	4,909,379	—
	₱34,493,958	₱53,332,835	₱104,292,222

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:

	2011	2010	2009
Current service cost	₱11,940,000	₱11,881,000	₱6,703,000
Interest cost	16,188,229	17,802,497	25,522,675
Expected return on plan assets	(21,684,214)	(14,899,438)	(12,142,395)
Net actuarial gain recognized	(1,666,925)	(2,586,234)	(8,723,500)
Amortization for non-vested past			
service cost	371,200	—	—
Net retirement benefit expense	₱5,148,290	₱12,197,825	₱11,359,780

Details of retirement benefit liability are as follows:

	2011	2010
Present value of defined benefit obligation	₱263,963,900	₱228,647,300
Fair value of plan assets	(293,991,380)	(271,052,673)
Funded status	(30,027,480)	(42,405,373)
Net cumulative unrecognized actuarial gain	31,060,829	43,774,553
Unrecognized past service cost	(5,568,000)	—
Retirement benefit liability (asset)	(₱4,534,651)	₱1,369,180

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

	2011	2010	2009
Balance at beginning of year	₱228,647,300	₱204,626,400	₱102,090,700
Current service cost	11,940,000	11,881,000	6,703,000
Interest cost	16,188,229	17,802,497	25,522,675
Past service cost – non-vested	5,939,200	–	–
Actuarial loss	14,385,657	34,353,205	78,452,532
Benefits paid	(13,136,486)	(40,015,802)	(8,142,507)
Balance at end of year	₱263,963,900	₱228,647,300	₱204,626,400

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

	2011	2010	2009
Balance at beginning of year	₱271,052,673	₱248,323,966	₱202,373,242
Expected return on plan assets	21,684,214	14,899,438	12,142,395
Benefits paid	(13,136,486)	(40,015,802)	(8,142,507)
Contributions	11,052,121	17,825,816	20,276,109
Actuarial gain	3,338,858	30,019,255	21,674,727
Balance at end of year	₱293,991,380	₱271,052,673	₱248,323,966
Actual return on plan assets	₱25,023,072	₱44,918,693	₱33,817,122

Plan assets are composed of equity securities.

The Company expects to contribute ₱8.4 million to its retirement plan in 2012.

Movements of retirement benefits liability (asset) are as follows:

	2011	2010
Balance at beginning of year	₱1,369,180	₱6,997,171
Net retirement benefit	5,148,290	12,197,825
Actual contributions	(11,052,121)	(17,825,816)
Balance at end of year	(₱4,534,651)	₱1,369,180

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

	2011	2010	2009
Discount rate	5.65%	7.08%	8.70%
Expected rate of return on plan assets	8.00%	8.00%	6.00%
Rate of salary increase	6.00%	6.00%	6.00%

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:

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	₱263,963,900	₱228,647,300	₱204,626,400	₱102,090,700	₱266,987,200
Fair value of plan assets	293,991,380	271,052,673	248,323,966	202,373,242	241,300,791
Experience adjustment on defined benefit obligation	(2,401,543)	8,055,505	(15,757,668)	1,569,884	(3,159,327)
Experience adjustment on plan assets	3,338,858	30,019,255	21,674,727	(37,201,265)	(1,153,336)

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 expense of ₱3.5 million in 2011 and income of ₱0.6 million in 2010 and ₱1.2 million in 2009.

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

	2011	2010
Balance at beginning of year	₱33,653,100	₱38,791,208
Long-term sick leave benefits expense (income)	3,470,038	(607,871)
Benefits paid	(2,151,738)	(4,530,237)
Balance at end of year	₱34,971,400	₱33,653,100

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

	2011	2010	2009
Discount rate	5.65%	7.08%	8.70%
Rate of salary increase	6.00%	6.00%	6.00%

21. Basic/Diluted Profit Per Share

	2011	2010	2009
Net income (a)	₱89,551,343	₱134,580,788	₱112,606,723
Weighted average number of shares outstanding (b)	412,064,596	412,064,596	412,064,596
Basic/diluted profit per share (a/b)	₱0.217	₱0.327	₱0.273

There are no common stock equivalents that would have a dilutive effect on basic earnings per share.

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 2011, 2010 and 2009.

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 ₱3.8 million in 2011, ₱2.1 million in 2010 and ₱6.9 million in 2009.

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

23. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents. 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, deposits, 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 foreign exchange risk. The Company's overall risk management program seeks to minimize these risks on the Company's financial performance.

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 credit risk, liquidity risk and foreign exchange 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 and 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 carrying values of the Company's financial assets represent the maximum exposure to credit risk since the financial assets have no collateral or credit enhancements as of December 31, 2011 and 2010.

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

	December 31, 2011				
	Neither Past Due nor Impaired		Past Due	Impaired	Total
	High Grade	Standard Grade	but not Impaired		
Cash and cash equivalents*	₱381,004,825	₱-	₱-	₱-	₱381,004,825
Trade and other receivables:					
Trade	57,584,813	53,352,381	144,521,399	4,763,483	260,222,076
Receivables from related parties	1,320,126	-	32,138	1,432,200	2,784,464
Others	10,581,394	6,818,598	7,605,013	-	25,005,005
Deposits**	3,214,262	-	-	-	3,214,262
Available-for-sale financial asset**	330,000	-	-	-	330,000
	₱454,035,420	₱60,170,979	₱152,158,550	₱6,195,683	₱672,560,632

	December 31, 2010				
	Neither Past Due nor Impaired		Past Due	Impaired	Total
	High Grade	Standard Grade	but not Impaired		
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
Deposits**	338,451	-	-	-	338,451
Available-for-sale financial asset**	330,000	-	-	-	330,000
	₱425,205,744	₱61,553,817	₱135,400,268	₱15,582,014	₱637,741,843

*Excluding cash on hand

**Included as part of "Other noncurrent assets"

High grade trade and other receivables represent good paying customer accounts with no history of default and are normally settled before the due date. Standard grade trade and other receivables include average paying customer accounts with no history of default 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 pertains to quoted club membership shares traded in an active market and is considered as high grade. Deposits are also classified as high grade since these include deposits to reputable companies 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, 2011 and 2010. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2011				Total
	1 to 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	
Trade and Other Receivables					
Trade	₱89,942,486	₱24,296,752	₱7,661,370	₱22,620,791	₱144,521,399
Receivables from related parties	4,480	-	-	27,658	32,138
Others	1,290,777	2,359,882	220,084	3,734,270	7,605,013
	₱91,237,743	₱26,656,634	₱7,881,454	₱26,382,719	₱152,158,550



	December 31, 2010				Total
	1 to 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days	
Trade and Other Receivables					
Trade	₱88,874,033	₱9,561,177	₱7,319,736	₱-	₱105,754,946
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
	₱104,295,907	₱10,280,165	₱7,342,338	₱13,481,858	₱135,400,268

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 not be able to meet its 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. The Company also places funds in the money market only when exceeding the Company's cash 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, 2011 and 2010 based on undiscounted contractual cash flows.

	2011			Total
	Due and Demandable	Less than 3 Months	3 to 12 Months	
Financial Assets				
Cash and cash equivalents	₱381,099,825	₱-	₱-	₱381,099,825
Trade and other receivables	129,657,312	125,775,831	26,382,719	281,815,862
	₱510,757,137	₱125,775,831	₱26,382,719	₱662,915,687
Financial Liability				
Trade and other payables*	₱-	₱124,365,104	₱172,556,197	₱296,921,301

	2010			Total
	Due and Demandable	Less than 3 Months	3 to 12 Months	
Financial Assets				
Cash and cash equivalents	₱342,030,954	₱-	₱-	₱342,030,954
Trade and other receivables	144,155,156	121,918,410	13,481,858	279,555,424
	₱486,186,110	₱121,918,410	₱13,481,858	₱621,586,378
Financial Liability				
Trade and other payables*	₱-	₱145,658,404	₱164,078,675	₱309,737,079

*Excluding government and statutory liabilities

Foreign Exchange Risk

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

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.

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents:

	December 31, 2011		December 31, 2010	
	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Current Financial Asset				
Cash and cash equivalents	US\$5,360,118	₱234,987,583	US\$4,595,199	₱201,269,735
Current Financial Liabilities				
Trade and other payables:				
United States dollar (US\$)	US\$17,023	746,288	US\$66,753	2,923,781
Swiss franc (CHF)	CHF 7,418	369,639	CHF 4,624	204,634
Euro (EUR)	€-	-	€6,129	359,333
		1,115,927		3,487,748
Net Foreign Currency- denominated Financial assets		₱233,871,656		₱197,781,987

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Company used the following rates of exchange as of December 31:

	2011	2010
Philippine Peso to 1 unit of foreign currency:		
US\$	43.84	43.80
CHF	49.83	44.25
EUR	-	58.63

The Company recognized net foreign exchange loss of ₱4.3 million in 2011, ₱14.6 million in 2010 and ₱5.0 million in 2009.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Company's income before income tax. There is no other impact on the Company's equity other than those already affecting the profit and loss.

	December 31, 2011		December 31, 2010	
	% Change Currency Rate	Effect on Income Before Tax	% Change Currency Rate	Effect on Income Before Tax
US\$	+0.09%	(₱211,489)	+5.1%	(₱10,115,643)
	-0.09%	211,489	-5.1%	10,115,643
CHF	+12.61%	46,611	+7.6%	15,551
	-12.61%	(46,611)	-7.6%	(15,551)
EUR	-	-	+12.0%	43,121
	-	-	-12.0%	(43,121)

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences.

Positive change in currency rate reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Capital Risk Management. The primary objective of the Company's capital management is to ensure an adequate return to its shareholders and to maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. Since the Company is not subject to externally imposed capital requirements, it manages and maintains its capital structure by paying existing debts, reducing interest-bearing debt, adjusting dividend payment to shareholders, returning capital to shareholders or issuing new shares. Capital includes equity attributable to the equity holders of the Company.

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
<u>Interest-bearing debt to total equity (a/b)</u>	<u>0.2:1</u>

The Company does not have interest-bearing notes payable as of December 31, 2011 and 2010.

No changes were made in the objectives, policies or process for the years ended December 31, 2011 and 2010.

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:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱381,099,825	₱381,099,825	₱342,030,954	₱342,030,954
Trade and other receivables:				
Trade	255,458,593	255,458,593	234,048,092	234,048,092
Receivables from related parties	1,352,264	1,352,264	16,370,141	16,370,141
Others	25,005,005	25,005,005	29,137,191	29,137,191
Deposits*	3,214,262	3,214,262	388,451	388,451
	<u>666,129,949</u>	<u>666,129,949</u>	<u>621,974,829</u>	<u>621,974,829</u>
Available-for-sale financial asset*	330,000	330,000	330,000	330,000
	<u>₱666,459,949</u>	<u>₱666,459,949</u>	<u>₱622,304,829</u>	<u>₱622,304,829</u>
Financial Liabilities				
Other financial liability -				
Trade and other payables**	₱296,921,301	₱296,921,301	₱309,737,079	₱309,737,079

*Included as part of "Other noncurrent assets"

**Excluding government and statutory liabilities

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

Deposits. Carrying amounts are deemed to approximate fair values since the fair values of certain deposits cannot be reasonably and reliably estimated.

Available-for-sale Financial Asset. The fair value of the financial asset is based on its quoted market price 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, 2011 and 2010, the only financial instrument of the Company measured at fair value is its available-for-sale financial asset. This is classified under Level 1.

During the years ended December 31, 2011 and 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

