



SECURITIES AND EXCHANGE COMMISSION

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I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

P P L B U I L D I N G U N I T E D N A T I O N A V E

C O R S A N M A R C E L I N O S T . M A N I L A

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

J O S E A . E M I T E R I O

Contact Person

0 2 8 5 2 6 4 1 5 3

Company Telephone Number

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Month Day

Fiscal Year

2 0 2 5

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FORM TYPE

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2025
2. SEC Identification Number 148022 3. BIR Tax 000-288-655V
4. Exact name of registrant as specified in its charter **EURO-MED LABORATORIES PHIL., INC.**
5. Philippines 6. (SEC Use Only)
(Province, country or other jurisdiction of Industry Classification Code:
incorporation or organization)
7. 1000 United Nations Avenue cor. San Marcelino St., Manila 1000
Address of principal office postal code
8. (632) 524-0091 to 98
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

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

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

Yes ☒ No ☐

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

Philippine Stock Exchange

Common Stock

12. Check whether the issuer:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Item 1. Financial Statements

See accompanying Interim Financial Statements.

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

A.) Strategies to mitigate the effects of Covid-19 Pandemic

The company focused on building upon the recovery efforts from the effects of the Covid-19 pandemic in 2020 to 2022. In 2022, the Company worked hard to meet the challenges to mitigate the effects of the pandemic. The company had a modest improvement in the year 2022 and a strong increase in 2023. The Company projected to have a robust increase in 2024 and the years thereafter.

The company's strategies are:

- a.) Restructuring of the territorial area of Marketing Division and intensify customer visits, thereby resulting in a better coverage and higher sales.
- b.) The company has created the Business Development Unit under the Senior Executive, with the primary objective of developing new product contracts, distribution of multinational products and generation of new revenue streams.
- c.) The company has also created the Customer Care Unit under the Treasury Department. This unit will endeavor to address all concerns, i.e. marketing, delivery, payments, credit terms, collections, etc. This holistic approach would further strengthen the customer relationship in due course.
- d.) On the logistic area, the Company introduced an employee work schedule with rotational assignments. Since warehousing and distribution functions are on a 24 hour operations basis, this scheme would make the preparation and delivery of products to customers more efficient and on time. Likewise, the Logistics Department's plantilla includes reliever /roving pharmacists to have a ready remedy in cases of emergency leaves, immediate resignations, death, etc.
- e.) On the production area the strategy is to maximize the utilization of existing capacity. This is done by continuously do advanced planning and increasing flexibility through multi-line set-up.
- f.) The resumption of the face to face annual sales conference to discuss strategies to strengthen the coordination between marketing and distribution and its procedures on faster resolution of customer issues and concerns to further improve customer relationship.

B.) There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

B.) In view of the current global financial condition, the company hereby assesses its financial risk exposures on its financial instruments as of date of these financial statements.

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

The financial risk exposures of the company are as follows:

1. Currency or Foreign Exchange risk.

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

The Peso/Dollar exchange rate appreciated from about ₱ 58.37/US\$ 1 in January 2025 to about ₱ 57.38/US\$ 1 in March 2025. The company's export sales for the periods ended January to March 2025 and 2024 are 1.4% and 3.7% respectively of total sales, which are denominated in foreign currency.

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

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

2. Interest rate risk.

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

The company's loans as of March 31, 2025 that is exposed to interest rate risks are as follows:

Maturing within one (1) year			
Notes payable	P	2,629,161,290	
Acceptances payable		<u>544,979,122</u>	3,174,140,412
Maturing over one (1) year			
Notes payable		771,242,762	<u>771,242,762</u>
Total			<u>3,945,383,174</u>

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

3. Credit risk.

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

The maximum credit exposure of the company as of March 31, 2025 follows:

Cash in banks	P	910,230,258
Trade receivables-net		1,898,522,838
Non-trade receivables		173,198,811
		<u>2,981,951,907</u>

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

4. Market risk.

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

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

5. Liquidity risk.

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

The Company's financial liabilities as of March 31, 2025 that are exposed to liquidity risk are as follows:

Bank Loans:		
Maturing within one (1) year	P	2,387,429,476
Maturing over one (1) year		241,731,814
Trade accounts payable		498,340,099
Acceptances payable		544,979,122
Income tax payable		48,054,086
	P	<u>3,720,534,597</u>

The company manages this risk (a) by maintaining sufficient cash and cash equivalents with banks to fund the payments of currently maturing liabilities, (b) by securing credit lines from various reputable banks and (c) by maintaining good credit standing with banks and trade

suppliers. The Company has Omnibus Credit Lines in the aggregate amount of about P 4.2 Billion on a clean basis from various commercial banks which provided for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Bankers Acceptances and Letters of Credit (with no marginal deposit at opening). These credit lines are obtained and regularly renewed. Liquidity requirements and positions are monitored daily and monthly reports are reviewed by the management

C. Euro-Med's financial instrument profile as of March 31, 2025 follows:

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

	Classification	Description	Measurement
1.1)	A financial asset or financial liability at fair value through profit or loss (FVPL)	Marketable securities	a.) At initial recognition at fair value b)Subsequent Valuation – measured at fair value
1.2)	Held to maturity Investments (HTM)	None	Not Applicable
1.3)	Loans and Receivables	3.1) Trade and other receivables 3.2) Bank loans (Notes payable & Acceptances payable) 3.3) Trade accounts payable	a) At initial recognition – measured at fair value b) Subsequent Valuation – at amortized cost, less impairment loss if any. a) At initial recognition – measured at fair value
1.4)	Available-for-sale Financial assets (AFS)	4.2)Proprietary Shares in Casino Español de Manila	b)Subsequent valuation – at cost

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

The Company has no complex securities particularly on derivatives.

c.2) The risks that are incorporated in the valuation of financial assets or liabilities are:

2.1) On Trade receivables –

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

2.2) Bank loans (Notes payable and Acceptances payable)

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

2.3) Trade accounts payable

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

c.3) Comparison of fair values (in 000)

		As of March 31, 2025			As of December 31, 2024	
		Carrying Value	Fair Value		Carrying Value	Fair Value
A. Financial assets	P			P		
Cash		910,230	910,230		857,622	857,622
Financial Assets at FVPL		233,557	233,557		233,557	233,557
Trade & other receivables-net		2,071,721	2,071,721		2,103,323	2,103,323
Available for sale securities						
Unquoted		200	200		200	200
TOTAL		3,215,708	3,215,708		3,194,702	3,194,702
B. Financial liabilities						
Trade accounts payable		498,340	498,340		489,603	489,603
Notes payable - current		2,387,429	2,387,429		2,827,334	2,827,334
Notes payable - non-current		241,732	241,732		774,251	774,251
Acceptances payable		544,979	544,979		285,651	285,651
TOTAL	P	3,672,480	3,672,480	P	4,376,839	4,376,839

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

1.) The Company's net sales increased by 39.4% from P 1,168.8 million for the first quarter of 2024 to P1,629.9 million for the first quarter of 2025. The increase in sales was attributed to the increase in local sales which increased by 42.9% from P 1,125.1 million for the first quarter of 2024 to P1,607.4 million for the first quarter of 2025. Export sales decreased by 48.4% from P43.6 million for the first quarter of 2024 to P 22.5 million for the first quarter of 2025. The increase (decrease) in sales indicator was chosen by management as it discloses the level of performance the Company has attained against the forecast. The percentage change is computed by dividing the peso increase (decrease) in sales by the peso sales during the comparable period of previous year.

2.) Gross profit from sales increased by % from P 425.3 million for the first quarter of 2024 to P556.4 million for the first quarter of 2025. Cost of goods manufactured and sold increased by 44.4% from P 743.5 million for the first quarter of 2024 to P1,073.5 million for the first quarter of 2025. As a percentage of net sales, cost of goods manufactured and sold increased from 63.6% for the first quarter of 2024 to 65.9% for the first quarter of 2025. The gross profit indicator provides information about product selling prices relative to production costs. The percentage change in gross profit is computed by dividing the peso increase (decrease) in gross profit by the peso gross profit during the comparable period of previous year.

3.) Operating expenses (administrative, selling and distribution expenses) increased by 30% from ₱ 296.2 million for the first quarter of 2024 to ₱ 385.1 million for the first quarter of 2025. The increase was due to the increased of operating expenses i.e. delivery expenses, marketing development expense and other expenses. As a percentage of net sales, operating expenses decreased from 25.3% for the first quarter of 2024 to 23.6% for the first quarter of 2025. Income from operations increased by 32.7% from P 129.1 million for the first quarter of 2024 to P171.3 million for the first quarter of 2025. Changes in income from operations and operating expenses are management's indicators for the degree of control over the Company's spending on administrative, selling, distribution and other expenses. The percentage change in operating expenses is calculated by dividing the peso increase (decrease) in operating expenses by the peso operating expenses during the comparable period of previous year.

4.) Net Finance and miscellaneous income/cost increased by 16.2% from P 70.8 million for the first quarter of 2024 to P 82.4 million for the first quarter of 2025. Changes in Net finance and miscellaneous income/cost indicator provides information on significant elements of income and other expenditures that did not arise from the Company's continuing operations. The percentage change is calculated by dividing the peso increase (decrease) in Net finance and miscellaneous income/cost by the net finance and miscellaneous income/cost during the comparable period of previous year.

5.) Provision for income tax increased by 56.7% from P 14.6 million for the first quarter of 2024 to P 22.9 million for the first quarter of 2025. Net income increased by 51.3% from P 43.6 million for the first quarter of 2024 to P 66.0 million for the first quarter of 2025. Changes in net income are indicators of the adequacy of amount to satisfy stockholders' dividend and rate-of- return expectations. The percentage change in net income is calculated by dividing the peso increase/decrease in net income by the peso net income during the comparable period of previous year.

The company's total assets decreased by 0.6% from P 10,949.9 million in 2024 to P 10,885.1 million in 2025. Current ratio is increased by 2.5% from 1.36:1 in 2024 to 1.39:1 in 2025 while Equity ratio increased from 1.54:1 in 2024 to 1.55:1 in 2025.

The increase in cash and cash equivalent was due to strategic approach in collecting the receivables. The decrease in other current assets was due to the reclassification of advances to suppliers. The increase in trust receipts payable was due to orders of raw materials for building stocks in 1st to 2nd qtrs. in preparation for the increase in sales in the second half of 2025. The decrease in loans payable – current was due to payments made for amortization of loans. The amount of income tax payable increased since the amount as of 31 Dec. 2024 represents the audited final and adjusted income tax payable as of the end of year 2024, while the amount as of 31 March 2025 includes the balance as of 31 December 2024 and the unaudited estimated tax on income for the first quarter of 2025. The amount of income tax payable as of 31 December 2024 was paid on April 15, 2025. The increase in Retained Earnings was due to the net income for the first quarter of 2025.

Projection and Effects of Covid-19 Pandemic

The Company felt the effect of Covid-19 pandemic starting March, 2020 and still raging in year 2021. The new variant, Omicron set in late 2021 and eases up at start of March 2022. Hardest hit is its subsidiary CaféFrance, however, the company sees a glim of hope in 2022 as the government and the private sector are closely coordinating to have a mass vaccination in the country, thereby opening up the economy towards the end of 2022. Starting 2023, the company have recovered and is working hard to continue its growth.

The Company has implemented in 2021 a reorganization of our nationwide sales field personnel to reduce their areas of coverage which would result to better coverage and higher sales.

The consolidated sales forecast for 2025 would be an increase in sales of about 10%, totaling to about P6.4 billion. The expected net income for 2025 is about P 378.0 million which is about 6% of sales.

SIGNATURES

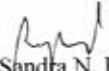
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EURO-MED LABORATORIES PHILS., INC.

By:


Georgiana S. Evidente
President 

May 14, 2025


Sandra N. Pineda
Chief Accountant

May 14, 2025

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2025 and December 31, 2024

(Amounts in Philippine Pesos)

	Unaudited 2025	Audited 2024
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	P 930,230,258	P 857,622,959
Financial assets at fair value through profit or loss (Note 6)	233,556,613	233,556,613
Trade and other receivables - net (Note 7)	2,071,721,649	2,103,323,573
Inventories (Note 8)	1,712,899,012	1,741,724,233
Other current assets (Note 9)	354,494,727	381,831,302
Total Current Assets	5,302,902,259	5,318,058,680
NON-CURRENT ASSETS		
Property, plant and equipment - net (Note 10)	4,734,213,544	4,758,300,517
Intangible assets (Note 11)	270,963,665	268,132,852
Right-of-use assets - net (Note 30)	168,689,945	174,891,495
Deferred tax assets - net (Note 31)	121,991,536	122,264,262
Other non-current assets (Note 12)	306,351,299	308,256,933
Total Non-current Assets	5,602,209,990	5,631,846,059
TOTAL ASSETS	P 10,905,112,249	P 10,949,904,739
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables (Note 13)	518,340,099	489,603,117
Trust receipts payable (Note 16)	544,979,122	498,734,364
Notes payable (Note 14)	2,387,429,476	2,541,683,889
Current portion of loans payable (Note 15)	241,731,814	285,650,564
Current portion of lease liabilities (Note 30)	66,815,432	66,983,492
Income tax payable	48,054,086	26,605,355
Total Current Liabilities	3,807,350,028	3,909,260,781
NON-CURRENT LIABILITIES		
Loans payable, net of current portion (Note 15)	771,242,762	774,251,237
Lease liabilities, net of current portion (Note 30)	119,633,720	125,533,590
Retirement benefit obligation (Note 29)	257,959,193	257,959,193
Total Noncurrent Liabilities	1,148,835,675	1,157,744,020
Total Liabilities	4,956,185,703	5,067,004,801
EQUITY		
Share capital (Note 17)	4,112,140,540	4,112,140,540
Additional paid-in capital (Note 17)	66,609,227	66,609,227
Other component of equity (Notes 29 and 33)	(19,767,297)	(19,767,297)
Retained earnings (Note 17)	1,789,944,075	1,723,917,468
Total Equity	5,948,926,545	5,882,899,938
TOTAL LIABILITIES AND EQUITY	P 10,905,112,249	P 10,949,904,739

See Notes to Consolidated Financial Statements

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2025 AND 2024
(Amounts in Philippine Pesos)

	<u>2025</u>	<u>2024</u>
NET SALES <i>(Note 19)</i>	P 1,629,912,712	P 1,168,810,640
COST OF GOODS MANUFACTURED AND SOLD <i>(Note 20)</i>	(1,073,532,195)	(743,482,746)
GROSS PROFIT	556,380,517	425,327,894
SELLING AND DISTRIBUTION EXPENSES <i>(Note 22)</i>	(295,047,985)	(197,639,986)
GENERAL AND ADMINISTRATIVE EXPENSES <i>(Note 23)</i>	(90,017,466)	(98,580,278)
OTHER INCOME / (EXPENSES) (NET) <i>(Note 24, 25)</i>	(82,373,962)	(70,857,962)
INCOME BEFORE INCOME TAX	88,941,104	58,249,668
PROVISION FOR INCOME TAX <i>(Note 31)</i>	(22,914,498)	(14,616,650)
NET INCOME	66,026,607	43,633,018
TOTAL COMPREHENSIVE INCOME	P 66,026,607	P P 43,633,018
BASIC/DILUTED INCOME PER SHARE <i>(Note 32)</i>		
Computed based on Net Income	P 0.02	P 0.01
Computed based on Total Comprehensive Income	P 0.02	P 0.01

See Notes to Consolidated Financial Statements

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2025 AND MARCH 31, 2024
(Amounts in Philippine Pesos)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 88,941,104	P 58,249,668
Adjustments for:		
Depreciation (Notes 10 and 30)	76,263,815	61,433,383
Interest expense (Note 25)	75,008,540	73,317,572
Interest income (Note 24)	(383,966)	(341,761)
Unrealized gain on foreign exchange (Note 24)	(88,064)	240,555
Operating profit before working capital changes	239,741,429	192,899,417
Decrease (increase) in:		
Trade and other receivables	31,601,924	107,793,896
Inventories	28,825,221	50,814,955
Other current assets	27,336,575	27,389,868
Other non-current assets	1,905,634	(7,046,148)
Increase (decrease) in trade and other payables	8,736,982	(81,103,599)
Net cash generated from operations	338,147,765	290,748,389
Interest received (Note 24)	383,966	341,761
Income tax paid	(48,054,086)	(51,641,174)
Interest paid	(75,008,540)	(73,317,572)
 Net Cash Provided by Operating Activities	 215,469,105	 166,131,404
 CASH FLOWS INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 10)	(52,176,843)	(28,617,366)
Net Cash Used in Investing Activities	(52,176,843)	(28,617,366)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of notes payable (Notes 14 and 34)	892,700,000	637,275,000
Net proceeds (repayments)		
of trust receipts payable (Notes 16 and 34)	46,244,758	71,735,955
Repayments of lease liabilities (Note 30)	(6,067,930)	(2,915,554)
Dividends paid (Note 17)	-	-
Repayments of loans (Notes 15 and 34)	(1,046,954,413)	(660,163,138)
Availment/(payments) of notes payable (Notes 14 and 34)	46,927,225	(44,237,500)
Net Cash Provided by (Used in) Financing Activities	(110,684,963)	1,694,763
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 P 52,607,299	 P 49,815,006
 CASH AND CASH EQUIVALENTS		
AT END OF YEAR CONSIST OF:		
Cash on hand	P 9,441,213	P 7,921,172
Cash in banks	900,789,045	873,428,290
	P 910,230,258	P 881,349,462

See Notes to Consolidated Financial Statements.

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTERS ENDED MARCH 31, 2025 and MARCH 2024
(Amounts in Philippine Pesos)

	2025	2024
CAPITAL STOCK (Note 17)	P 4,112,140,540	P 4,112,140,540
ADDITIONAL PAID-IN CAPITAL (Note 17)	66,609,227	66,609,227
OTHER COMPONENT OF EQUITY (Note 29 and 33)		
Balance at beginning of year	(19,767,297)	(25,150,977)
Actuarial gain - net tax	-	-
Balance at end of year	(19,767,297)	(25,150,977)
RETAINED EARNINGS (Note 17)		
Balance at beginning of year	1,723,917,468	1,692,489,188
Prior period adjustment	-	-
Net profit for the year	66,026,607	43,633,028
Balance at end of year	1,789,944,075	1,736,122,216
TOTAL EQUITY	P 5,948,926,545	P 5,889,721,007

See Notes to Consolidated Financial Statements

EURO-MED LABORATORIES PHIL., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025 AND 2024
(Amounts in Philippine Peso)

1. GENERAL INFORMATION

Corporate Information

Euro-Med Laboratories Phil., Inc. (the "Parent Company") was registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1988. Its primary purpose is to engage in the manufacture of pharmaceutical products such as large and small-volume parenteral and other solutions, inhalation, irrigation, and dialysis.

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

The registered address of the Parent Company is at PPL Building, United Nations Avenue corner San Marcelino Street, Manila.

The Parent Company's ultimate parent company is U.S. Automotive Co, Inc. (U.S. Automotive), which was also incorporated in the Philippines.

The Parent Company's shares of stocks are publicly traded in the Philippine Stock Exchange (PSE).

Subsidiaries of the Parent Company

The Parent Company and all subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The followings are the subsidiaries and the respective principal activities as at March 31, 2025 and 2024:

	<u>Principal Activities</u>
Hemotek Renal Center, Inc. (Hemotek)	Provide renal and other healthcare services
CafeFrance Corp. (CafeFrance)	Development and operation of Quick Service Restaurant (QSR)

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of Preparation of Financial Statements

The Group's consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards includes statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations of the International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss (FVTPL) which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional currency of the Group, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements as at December 31, 2024 and 2023 and for each of the three (3) years in the period ended December 31, 2024, represent the consolidation of the financial statements of Euro-Med and the following subsidiaries owned by the Parent Company:

	Effective Percentage of Ownership			
	2025		2024	
	Direct	Indirect	Direct	Indirect
Hemotek	100	-	100	-
CaféFrance	100	-	100	-

All subsidiaries were incorporated in the Philippines and the functional currency is the Philippine peso.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2025 and 2024. Control is achieved when the Parent Company is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. Intercompany transactions, balances, and unrealized gains or losses on transactions between group companies are eliminated.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Group.

Changes in Accounting Policies

The accounting policies adopted are consistent with those in previous financial years, except for the adoption of the following amendments to existing standards effective beginning January 1, 2024. Except as otherwise indicated, the new standards and amendments have no significant impact on the consolidated financial statements of the Group.

- *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*

The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments has no significant impact on the Group's financial statements.

- *Amendments to PAS 1, Non-current Liabilities with Covenants*

The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For the non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments has no impact on the Group's financial statements.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments has no significant impact on the Group's financial statements.

Effective in 2024 that is not Relevant to the Group

Among the amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules* and PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*, are not relevant to the Group's financial statements.

Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's financial statements.

Effective subsequent to 2024 but not Adopted Early

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027)

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2024. Additional disclosures required by these new and amended accounting standards and interpretations will be included in the financial statements when they are adopted.

Material Accounting Policies

Financial Assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss)
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group shall reclassify financial assets when and only when its business model for managing those assets changes.

The Group's financial assets at amortized cost includes cash, trade and other receivables (except advances to suppliers and contractors), bidders and performance bonds and other non-current assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors and investment in club shares).

The Group's financial assets measured at fair value through profit and loss includes investments in portfolio held for trading purposes, while financial assets held at fair value through other comprehensive income includes investment in club shares.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

(a) Debt instruments – subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in "Other expenses (net)" in the statement of comprehensive income, using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly to profit or loss and presented in "Other expenses (net)" in the consolidated statement of comprehensive income, together with foreign exchange gains and losses. Impairment losses are presented in administrative expenses in the consolidated statement of comprehensive income.

The Group's financial assets at amortized cost consists of cash, trade and other receivables (except advances to suppliers and contractors), bidders and performance bonds and other non-current assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors and investment in club shares).

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other expenses (net)" in the consolidated statement of comprehensive income. Interest income from these financial assets is included in "Other expenses (net)" in the consolidated statement of comprehensive income, using effective interest rate method. Foreign exchange gains and losses are presented in "Other expenses (net)" and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

The Group does not have debt instruments that are classified as financial assets at FVOCI.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented in "Other expenses (net)" in the consolidated statement of comprehensive income.

The Group's financial assets measured at fair value through profit and loss consists of investments portfolio held for trading purposes.

(b) Equity instruments

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the equity investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in "Other expenses (net)" in the consolidated statement of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Group's equity financial assets at FVOCI consists of investment in club shares.

Impairment of Financial Assets

The Group recognizes an allowance for ECL for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Financial Liabilities

Classification

The Group's financial liabilities are classified as (a) financial liabilities at amortized cost and (b) financial liabilities at FVTPL.

The Group did not hold any financial liabilities at FVTPL during and at the end of each reporting period.

Financial liabilities at amortized cost are included in current liabilities, except for maturities greater than 12 months after the reporting date when the Group has an unconditional right to defer settlement for at least 12 months after the reporting date which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost consists of trade and other payables (excluding statutory payables), trust receipts payable, notes payable, loans payable and lease liabilities.

Initial Recognition and Measurement

The Group recognizes a financial liability in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Other financial liabilities are initially measured at fair value plus transaction costs.

Subsequent Measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

Derecognition

Financial liabilities are derecognized when it is extinguished, that is, when the obligation specified in a contract is discharged or cancelled, or when the obligation expires.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

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

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realized the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of raw materials, goods in process and finished goods are calculated based on standard costing method. Standard cost is principally determined using the moving average method. The NRV of raw materials, finished goods and merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and of marketing and distribution.

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

Raw materials	- first-in first-out method
Finished goods	- the cost of direct materials and labor and a the proportion of manufacturing overhead based on a normal operating capacity but excluding borrowing cost, a moving average basis
Merchandise	- first in first-out

Property, Plant and Equipment

Following initial recognition at cost, land is stated at cost less impairment in value, if any. All other property, plant and equipment are stated at cost less accumulated depreciation, amortization, and any impairment in value.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

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

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. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost. Cost includes costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Intangible Assets

Intangible assets include trademarks and licenses, and patents and rights.

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

Trademarks and licenses are derecognized when no future economic benefits are expected from use or disposal. Gains or losses, arising from derecognition of trademarks and licenses are measured as the difference between the net disposal proceeds and the carrying amount of the assets, are recognized in profit or loss.

Patents and rights are stated at cost, which includes purchase price and other direct costs, less accumulated amortization, and any impairment in value. Patents and rights are amortized on a straight-line basis over twenty (20) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

When patents and rights are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent.

The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales of Goods. Revenue from sale of goods is recognized at the point in time when control is transferred to the customer, which is normally upon delivery. Sales returns and discounts are deducted from sales to arrive at net sales shown in the consolidated statements of comprehensive income.

Sale of Service. Sales of services are recognized when services are provided.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield on the asset.

Other Income. Income from other sources is recognized when earned during the period.

Employee Benefits

The Group provides short-term and post-employment benefits to employees through defined benefit obligations and other employee benefits.

The Group's defined benefit obligation covers all regular full-time employees. It is calculated annually by independent actuaries using projected unit credit method. The defined benefit obligation is not funded.

Leases

The Group as a Lessee

Subsequent to initial recognition, the Group depreciated the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term which is from two to ten years.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line bases over the lease term.

The Group as a Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing cost incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the period in which these are incurred.

Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Group generate taxable income.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Functional Currency and Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the statements of financial position date. All differences are taken to the consolidated statements of comprehensive income.

Equity

Capital stock represents the nominal value of shares that have been issued. Contribution in excess of par value is accounted for as an additional paid-in capital.

Other component of equity include the accumulated actuarial gains or (losses) from remeasurements of post-employment defined benefit plan.

Retained earnings includes all current and prior period results as disclosed in the statements of comprehensive income, reduced by the amounts of dividends declared, if any.

Related Parties

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

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year attributable to common stockholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Segment Reporting

The Group reports separate information about each operating segment identified.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components; from whose operating results are regularly reviewed to make decisions about resources to be allocated to the segment; and for which discrete information is available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with PFRS Accounting Standards requires management to exercise judgments and make accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates, and assumptions made by the Group:

Judgements

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

Determining the Lease Term of Contracts with Renewal and Termination Options - Group as a Lessee

The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal period as part of the lease term for leases of buildings even though the Group typically exercises its option to renew for these leases because the Group does not have an enforceable right to extend the lease beyond the non-cancellable period.

Determining Functional Currency

Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group, including prices of goods and services, competition, cost and expenses and other factors including the currency in which financing is primarily undertaken by each entity.

Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of that of a Group rather than being carried out with significant autonomy.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant Increase of Credit Risk

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Determining the Fair Values of Financial Instruments

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

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Assessment for ECL on Trade Receivables

The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The carrying amount of trade receivables is P1,898.5 million and P1,807.4 million as at March 31, 2025 and Dec. 2024, respectively (see Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost

The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in March 31, 2025 and 2024. The carrying amounts of other financial assets at amortized cost are as follows:

	<u>2025</u>	<u>2024</u>
Cash in banks	P 920,789,045	P 848,366,786
Financial asset at FVTPL	233,556,613	233,556,613
Other receivables:		
Advances to officers and employees	59,644,495	63,751,787
Others*	113,554,315	127,122,358
Other current assets:		
Bidders and performance bonds	9,253,899	9,369,943
Rental and security deposits	177,992,855	169,175,352
Bidders and performance bonds	13,880,849	14,054,915
Advances to officers and employees	31,915,081	30,272,272
	<u>P 1,560,587,152</u>	<u>P 1,495,670,026</u>

*Excluding receivable from SSS amounting to P5.3 million and P5.1 million as at March 31, 2025 and 2024, respectively.

Determination of NRV of Inventories

The Group writes down the cost of inventories whenever the NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The Group reviews the lower of cost and NRV of inventories on a periodic basis. NRV represents the estimated future selling price of the product based on prevailing prices at the end of the reporting period, less estimated costs to complete production and bring the product to sale. NRV test for spare parts and supplies is also performed annually. The NRV of spare parts and supplies represents the current replacement cost. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

As at March 31, 2025 and 2024, the cost of inventories is lower than its NRV. The carrying amount of inventories is P 1,712.9 million and P 1,741.7 million as at March 31, 2025 and 2024, respectively (see Note 8).

Estimated Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the 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 property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property, plant and equipment:

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

The foregoing estimated useful lives and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property, plant and equipment.

The carrying values of property, plant and equipment amounted to P4,734.2 million and P4,758.3 million as at March 31, 2025 and 2024, respectively (*see Note 10*).

Estimated Useful Life of Intangible Asset

The useful life of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The useful life of tangible asset with definite life is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

Amortization of patents and rights is computed on the straight-line basis over the useful life of twenty (20) years. The estimated useful life and amortization method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the intangible asset.

The carrying value of intangible asset with finite useful lives amounted to nil as at March 31, 2025 and 2024 (*see Note 11*).

Impairment of Nonfinancial Assets

PFRS Accounting Standards requires that an impairment review be performed when certain impairment indicators are present. This requires an estimation of the value in use of the cash-generating units to which the assets belong. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of property, plant and equipment, intangible assets, and other nonfinancial assets, requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. The future event could cause management to conclude that assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's consolidated financial position and financial performance.

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

No reversal or impairment loss was recognized in 2025, and 2024.

Realizability of Deferred Tax Assets

Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused MCIT and NOLCO. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings, and tax planning strategies that can be utilized to increase the likelihood that tax assets will be realized.

As at March 31, 2025 and 2024, net deferred tax assets amounted to P121.9 million and P122.3 million, respectively (*see Note 31*).

Estimating Contingencies

The Group evaluates legal and administrative proceedings in which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and the results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Retirement Benefit

The cost of a defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of

return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on the Philippine government bonds with terms consistent with the expected employee benefit payout as of consolidated statements of financial position date.

Lessee - Estimating Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL MANAGEMENT OBJECTIVE AND POLICIES

The Group's financial instruments consist mainly of cash (except cash on hand), financial assets at FVTPL, trade and other receivables, bidders and performance bonds, other non-current assets (excluding prepayments, deferred input VAT and advances to suppliers and contractors) and trade and other payables (excluding statutory payables), trust receipts payable, notes payable, loans payable and lease liabilities.

The main financial risk arising from the Group's use of financial instruments includes credit risk, market risk, and liquidity risk. The Group's BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below:

Credit Risk

Credit risk is the risk that the third party will default on its obligation to the Group and cause the Group to incur a financial loss. The Group's business policy aims to limit the amount of credit exposure to any individual client and financial institution. The Group has credit management policies in place to ensure that contracts are entered into with clients who have the sufficient financial capacity and good credit history.

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information, and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from the upper level of Management.

The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. The Group provides credit limits to all its accredited customers to manage credit risk concentrations. These limits are reviewed regularly by the Treasury Department. Trade receivable balance is monitored on an ongoing basis with the result that the Group's exposure to credit losses is not significant. The maximum exposure of trade receivables is equal to its carrying amount.

At March 31, 2025 and 2024, the exposure to credit risk for trade receivables are as follows:

	Neither past due nor impaired	Past due but not impaired	Total
2025	1,835,159,046	213,593,923	2,048,752,969
2024	1,748,850,866	208,791,714	1,957,642,580

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments analyzed by customer type, credit terms, and offsetting arrangements. The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment (i.e., gross national income from real estate and construction industry). At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analyzed.

Aging Analysis of Trade Receivables

		2025		2024
1-30 days	P	793,510,214	P	630,771,235
31-90 days		355,271,505		315,937,310
91-120 days		238,718,443		206,616,487
Over 120 days		661,252,807		804,317,548
	P	2,048,752,969	P	1,957,642,580

Trade receivables that are past due for over 120 days were not considered in default since based on qualitative assessment, the customers are not deemed to be in significant financial difficulty and are likely to pay their obligations.

Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are composed of cash, other receivables (except advances to suppliers and contractors), bidders and performance bonds, and other noncurrent assets (excluding prepayments, deferred input VAT, advances to suppliers and contractors, and investment in club shares). The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency, and therefore, are considered to be low-credit-risk investments. Other receivables are being monitored on a regular basis to ensure the timely execution of necessary intervention efforts to minimize credit losses.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 120 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when nonpayment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

		2025			
		Financial assets at amortized cost			
		12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Cash in banks	P	920,789,045	P -	P -	P 920,789,045
Trade and other receivables					
Trade		-	2,048,752,969	-	2,048,752,969
Advances to officers and employees – current		59,644,495	-	-	59,644,495
Others*		113,554,315	-	-	113,554,315
Other current assets					
Bidders and performance bonds		9,253,899	-	-	9,384,539
Other non-current assets:					
Rental and security deposits		177,992,855	-	-	177,992,855
Bidders and performance bonds, net of current portion		13,880,849	-	-	13,880,849
Advances to officers and employees		31,915,081	-	-	31,915,081
	P	1,327,030,539	P2,048,752,969	P -	P 3,375,783,508

* Excluding receivable from SSS amounting to P5.3 million as at March 31, 2025.

	2024				
	Financial assets at amortized cost				
	12 months ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	
Cash in banks	P 848,366,786	P -	P -	P	848,366,786
Trade and other receivables					
Trade	-	1,957,642,580	-		1,957,642,580
Advances to officers and employees - current	63,751,787	-	-		63,751,787
Others*	127,122,358	-	-		127,122,358
Other current assets					
Bidders and performance bonds	9,369,943	-	-		9,369,943
Other non-current assets:					
Rental and security deposits	169,175,352	-	-		169,175,352
Bidders and performance bonds, net of current portion	14,054,915	-	-		14,054,915
Advances to officers and employees	30,272,272	-	-		30,272,272
	<u>P 1,262,113,413</u>	<u>P1,957,642,580</u>	<u>P -</u>	<u>P</u>	<u>3,219,755,993</u>

* Excluding receivable from SSS amounting to P5.1 million as at December 31, 2024.

Market risks

The Group is exposed to market risks, primarily those related to foreign currency risk, equity price risk, and interest rate risk. BOD actively monitors these exposures as follows:

Foreign currency risk

The BOD reviews and agrees on policies for this risk by maintaining foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits.

Information on the Group's foreign currency-denominated deposits and investment in portfolio and their Philippine peso equivalent:

	2025		2024	
	Foreign Currency	Peso equivalent	Foreign currency	Peso equivalent
US Dollar (USD)	1,570,313	90,104,579	4,890,527	P 283,699,471
Euro (EUR)	12,487	775,104	12,818	775,104

With the translation of this foreign currency denominated asset, the Group reported net unrealized foreign exchange gain of P 0.9 million in 2025 and P9.6 million in 2024 (see Note 24). These resulted from the movements of the Philippine peso against the following foreign currency exchange rates:

		2025		2024
USD	P	57.38	P	58.010
EUR		62.07		60.470

The analysis below is performed for the effect of a reasonable possible movement of the currencies against the Philippine peso with all other variables held constant on the Group's excess of receipts over expenses:

Currency	Philippine Peso depreciation (appreciation)	Impact on excess of receipts over expenses	
		2025	2024
USD	+0.75%	P 4,715,750	(P 4,715,750)
USD	-0.75%	460,307	(460,307)
EUR	+3.00%	(237,186)	237,186
EUR	-3.00%	(283,691)	(283,691)

The change in currency rate is based on the Group'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.

Equity price risk

Equity price risk is the risk that the Group will incur economic losses due to adverse changes in a particular stock index. The Group's equity price risk arises from its financial assets at FVTPL and financial assets at FVOCI.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's interest-bearing payables to local financial institutions with fixed interest rates. Exposure of the Group to changes in the interest rates is not significant.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Liquidity Risk

Liquidity risk is a risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. BOD closely monitors the Group's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The table below analyzes the financial assets and financial liabilities of the Group into their relevant maturity groups based on the remaining period at the consolidated statements of financial position dates to their contractual maturities or expected repayment dates:

As at March 31, 2025	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash	P 920,789,045	P -	P -	P -	P -	P 920,789,045
Financial assets at FVTPL	233,556,613	-	-	-	-	233,556,613
Trade and other receivables						
Trade	1,898,522,838	-	-	-	-	1,898,522,838
Advances to suppliers and contractors	84,650,610	-	-	-	-	84,650,610
Advances to officers and employees current	59,644,496	-	-	-	-	59,644,496
Others*	28,903,705	-	-	-	-	28,903,705
Other current assets						
Bidders and performance bonds	9,253,899	-	-	-	-	9,253,899
Other noncurrent assets						
Rental and security deposits	-	-	177,992,855	-	-	177,992,855
Bidders and performance bonds net of current portion	-	13,880,849	-	-	-	13,880,849
Advances to officers and employees net of current portion	-	31,915,081	-	-	-	31,915,081
Investment in club shares	-	-	-	-	200,000	200,000
	<u>P 3,235,321,206</u>	<u>P 45,795,930</u>	<u>P 177,992,855</u>	<u>P -</u>	<u>P 200,000</u>	<u>P 3,459,309,991</u>

*Excluding receivable from SSS amounting to P5.3 million as at March 31, 2025.

As at March 31, 2025	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial liabilities:						
Trade and other payables						
Trade	P 427,565,788	P -	P -	P -	P -	P 427,565,788
Accrued expenses	90,774,310	-	-	-	-	90,774,310
Advances from officers and employees	-	-	-	-	-	-
Trust receipts payable	544,979,122	-	-	-	-	544,979,122
Notes payable	2,387,429,476	-	-	-	-	2,387,429,476
Loans payable	241,731,814	633,001,236	141,250,000	-	-	1,015,983,050
Lease liabilities	66,815,432	119,633,720	-	-	-	186,449,152
	<u>P 3,759,295,942</u>	<u>P 752,634,956</u>	<u>P 141,250,000</u>	<u>P -</u>	<u>P -</u>	<u>P 4,653,180,898</u>

As at December 31, 2024	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Financial assets:						
Cash	P 857,622,959	P -	P -	P -	P -	P 857,622,959
Financial assets at FVTPL	233,556,613	-	-	-	-	233,556,613
Trade and other receivables						
Trade	1,807,412,449	-	-	-	-	1,807,412,449
Advances to suppliers and contractors	99,962,161	-	-	-	-	99,962,161
Advances to officers and employees current	63,751,787	-	-	-	-	63,751,787
Others*	27,160,197	-	-	-	-	27,160,197
Other current assets						
Bidders and performance bonds	9,369,943	-	-	-	-	9,369,943
Other noncurrent assets						
Rental and security deposits	-	-	169,175,352	-	-	169,175,352
Bidders and performance bonds net of current portion	-	14,054,915	-	-	-	14,054,915
Advances to officers and employees net of current portion	-	30,272,272	-	-	-	30,272,272
Investment in club shares	-	-	-	-	200,000	200,000
	<u>P 3,098,836,109</u>	<u>P 44,327,187</u>	<u>P 169,175,352</u>	<u>P -</u>	<u>P 200,000</u>	<u>P 3,312,538,648</u>

*Excluding receivable from SSS amounting to P5.1 million as at December 31, 2024.

Financial liabilities:						
Trade and other payables						
Trade	P 349,494,747	P -	P -	P -	P -	P 349,494,747
Accrued expenses	73,235,206	-	-	-	-	73,235,206
Advances from officers and employees	222,591	-	-	-	-	222,591
Trust receipts payable	498,734,364	-	-	-	-	498,734,364
Notes payable	2,541,683,889	-	-	-	-	2,541,683,889
Loans payable	285,650,564	633,001,236	141,250,000	-	-	1,059,901,800
Lease liabilities	66,983,492	125,533,590	-	-	-	192,517,082
	<u>P 3,816,004,853</u>	<u>P 758,534,826</u>	<u>P 141,250,000</u>	<u>P -</u>	<u>P -</u>	<u>P 4,715,789,679</u>

Financial Assets and Financial Liabilities

The following table presents the carrying amounts and fair values of the Group's financial assets measured at fair value and financial liability for which fair value is disclosed and the corresponding fair value hierarchy:

	Carrying Amounts	2025		Significant Unobservable Inputs (Level 3)
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	
Financial assets:				
Cash	920,789,045	P -	P 920,789,045	P -
Financial assets at FVPL	233,556,613	233,556,613	-	-
Trade and other receivables				
Trade	1,898,522,838	-	-	1,898,522,838
Advances to suppliers and contractors	84,650,610	-	-	84,650,610
Advances to officers and employees current	59,644,496	-	-	59,644,496
Others*	28,903,705	-	-	28,903,705
Other current assets				
Bidders and performance bonds	9,253,899	-	-	9,253,899
Other noncurrent assets				
Rental and security deposits	177,992,855	-	-	177,992,855
Bidders and performance bonds net of current portion	13,880,849	-	-	13,880,849
Advances to officers and employee net of current portion	31,915,081	-	-	31,915,081
Investment in club shares	200,000	200,000	-	-
	P 3,459,309,991	P 233,756,613	P 920,789,045	P 2,304,764,333

*Excluding receivable from SSS amounting to P5.3 million as at March 31, 2025.

	Carrying Amounts	2025		Significant Unobservable Inputs (Level 3)
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	
Financial liabilities:				
Trade and other payables				
Trade	P 427,565,788	P -	P -	P 427,565,788
Accrued expenses	90,774,310	-	-	90,774,310
Advances from officers and employees	-	-	-	-
Trust receipts payable	544,979,122	-	-	544,979,122
Notes payable	2,387,429,476	-	-	2,387,429,476
Loans payable	241,731,814	-	-	241,731,814
Lease liabilities	66,815,432	-	-	66,815,432
	P 4,653,180,898	P -	P -	P 4,653,180,898

		2024			
		Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash	P	857,622,959	P -	P 857,622,959	P -
Financial assets at FVPL		233,556,613	233,556,613	-	-
Trade and other receivables					
Trade		1,807,412,449	-	-	1,807,412,449
Advances to suppliers and contractors		99,962,161	-	-	99,962,161
Advances to officers and employees current		63,751,787	-	-	63,751,787
Others*		127,122,358	-	-	127,122,358
Other current assets					
Bidders and performance bonds		9,369,943	-	-	9,369,943
Other noncurrent assets					
Rental and security deposits		169,175,352	-	-	169,175,352
Bidders and performance bonds net of current portion		14,054,915	-	-	14,054,915
Advances to officers and employee net of current portion		30,272,272	-	-	30,272,272
Investment in club shares		200,000	200,000	-	-
	P	3,412,500,809	P 233,756,613	P 857,622,959	P 2,321,121,237

*Excluding receivable from SSS amounting to P5.1 million as at December 31, 2024.

		Carrying Amounts	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial liabilities:					
Trade and other payables					
Trade	P	349,494,747	P -	P -	P 349,494,747
Accrued expenses		73,235,206	-	-	73,235,206
Advances from officers and employees		222,591	-	-	222,591
Trust receipts payable		498,734,364	-	-	498,734,364
Notes payable		2,541,683,889	-	-	2,541,683,889
Loans payable		1,059,901,800	-	-	1,059,901,800
Lease liabilities		192,517,082	-	-	192,517,082
	P	4,715,789,679	P -	P -	P 4,715,789,679

Assumption used to estimate fair values

The carrying amounts of cash, trade and other receivables, bidders and performance bonds, trade and other payables, notes payable, and trust receipts payable approximate their fair values due to the short-term maturities of the financial assets and financial liabilities.

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial assets and financial liabilities:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

There were no reclassifications made between the different fair value hierarchy levels in 2024 and 2023.

Capital Management

The primary objective of the Group's capital management is to secure ongoing financial needs of the Group to continue as a going concern as well as to maintain a strong credit standing and healthy capital ratio in order to support the business and maximize shareholder value.

The Group considers equity contributions from shareholders and retained earnings as its capital totaling P5,882.9 million and P5,845.2million as at December 31, 2024 and 2023, respectively. The Group manages the capital structure and makes adjustments when there are changes in economic conditions, business activities, expansion programs, and the risk characteristics of the underlying assets. In order to manage the capital structure, the Group may adjust its borrowings, adjust dividend payment to shareholders, or raise equity.

The Group is not subject to externally imposed capital requirements.

No changes were made in capital management objectives, policies or processes in 2025 and 2024.

5. CASH

This account consists of:

		<u>2025</u>		<u>2024</u>
Cash on hand	P	9,441,213	P	9,256,173
Cash in banks		<u>920,789,045</u>		<u>848,366,786</u>
	P	<u>930,230,258</u>	P	<u>857,622,959</u>

Cash in banks earns interest at the respective prevailing bank deposit rates. Interest income earned on cash in banks and short-term placements, presented in the consolidated statements of comprehensive income, amounted to P 0.3 million, and P0.4 million in 2025 and 2024, respectively (*see Note 24*).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets at FVTPL represent investment portfolio consisting of bonds and equity instruments held by the Group for trading purposes. As at March 31, 2025 and 2024, financial assets at FVTPL amounted to P233.6 million and P233.6 million, respectively.

The following are the movements of financial assets at FVTPL:

	2025	2024
Balance at beginning of year	P 202,005,397	P 202,005,397
Change in fair value(see Note 24)	22,466,965	22,466,965
Unrealized foreign gain (loss)	9,084,251	(9,084,251)
	<u>P 233,556,613</u>	<u>P 233,556,613</u>

The Group's financial assets at FVTPL as at March 31, 2025 and 2024 are carried at fair values based on sources classified under the Level 1 category. The fair values of financial assets at FVTPL are based on quoted market prices or bidding dealer price quotations from active markets as at their reporting date.

7. TRADE AND OTHER RECEIVABLES

This account consists of:

	2025	2024
Trade:		
Third-party	2,048,752,969	P 1,957,642,580
Less: allowance for expected credit losses	150,230,131	150,230,131
Net	1,898,522,838	1,807,412,449
Advances to suppliers and contractors - current (see Note 12)	84,650,610	99,962,161
Advances to officers and employees - current (see Notes 12 and 18)	59,644,496	63,751,787
Others	28,903,705	132,197,176
	<u>2,071,721,649</u>	<u>P 2,103,323,573</u>

Trade receivables are unsecured and non-interest-bearing and generally have credit terms of 120 days (see Note 4).

Advances to suppliers and contractors represent various partial payments for the purchase orders of materials and packaging supplies. Advances to contractors pertain to payment of partial cost of contract to renovate leased stores and branches. The amounts that are expected to be applied against the actual construction cost within 12 months are recognized under other current assets. The remaining amount to be amortized is recognized under other non-current assets (see Note 12).

Advances to officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction. These are interest-bearing and have various maturity dates ranging from 2023 to 2026.

Other receivables pertain to non-trade receivables from various third parties for transactions not directly related to its normal course of business.

The following are the movements of allowance for expected credit losses:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	P 133,372,112	P 133,372,112
Provision for the year (<i>see Note 23</i>)	<u>16,858,019</u>	<u>16,858,019</u>
Balance at end of year	<u>P 150,230,131</u>	<u>P 150,230,131</u>

The carrying amounts of trade and other receivables approximate their fair values due to its short- term maturities.

No receivables were used as collateral to any of the Group's liabilities in 2025 and 2024.

8. INVENTORIES

This account consists of:

	<u>2025</u>	<u>2024</u>
Raw materials	P 659,974,690	P 693,100,473
Finished goods	582,626,186	553,316,517
Merchandise inventory	214,900,566	254,356,118
Supplies	<u>255,397,570</u>	<u>240,951,125</u>
	<u>P 1,712,899,012</u>	<u>P 1,741,724,233</u>

Cost of inventories as at March 31, 2025 and 2024 is lower than its NRV. Hence, there were no write-down of inventories in both years. Cost of inventories sold amounted to P1,073.5 million, P743.5 million in 2025 and 2024, respectively (*see Note 20*).

No inventories were pledged to any of the Group's liabilities as at March 31, 2025 and 2024.

9. OTHER CURRENT ASSETS

This account consists of:

		2025		2024
Prepayments	P	330,321,168	P	330,908,966
Creditable withholding tax		352,308		17,389,510
Creditable withholding VAT		9,584,539		9,584,539
Current portion of bidders and performance bonds (see Note 12)		9,253,899		9,369,943
Current portion of prepaid marketing and development expense (see Note 12)		-		7,679,177
Current portion of deferred input VAT (see Note 12)		4,982,813		6,899,167
Input VAT		-		-
	P	<u>354,494,727</u>	P	<u>381,831,302</u>

Prepayments consist of advance payments for utilities, advertising, rent, insurance, taxes, and other miscellaneous expenses. Prepaid expenses are charged to the operation in the next financial year as the related expenses are incurred.

Creditable withholding tax (CWT) represents the amount withheld in relation to sales. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Creditable withholding VAT (CVAT) refers to deductions made by the government from their payments for sales of goods and are creditable from VAT output tax, upon submission of the relative Certificate of Withholding VAT from these customers.

Bidders and performance bonds refer to cash bonds deposited with customers as required by its bidding procedures. Bidders bond are withdrawable within thirty (30) days from completion of bidding, while performance bonds are withdrawable within six (6) to twenty four (24) months from completion of sales contracts. The amounts that are withdrawable in the next 12 months are recognized under "Other current assets". The remaining amount is recognized under "Other noncurrent assets" (see Note 12).

Prepaid marketing and development expense refer to payments made to client hospitals of the Group as stipulated on long-term sales contracts ranging from three (3) to ten (10) years. These payments are to cover the client hospitals' marketing development expenses to promote the use of the Group's products during the contract period. The amounts that are to be amortized in the next 12 months are recognized under "Other current assets". The remaining amount to be amortized is recognized under "Other noncurrent assets" (see Note 12).

Deferred input VAT arises from purchases of capital goods above P1.0 million. This is amortized for a period of five years or over the useful life of the asset purchased, whichever is shorter. The amounts that are to be amortized in the next 12 months are recognized under "Other current assets".

Input VAT is a tax imposed on purchases of goods and services. These are available for offset against output VAT in future periods.

The Group evaluated whether there is any indications of impairment on other current assets. Based on management's evaluation, no impairment losses were identified as at March 31, 2025 and 2024.

10. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

		2024	Additions	Disposals/ Reclassification	2025
Cost:					
Machineries and equipment	P	5,698,250,978	P 30,348,963	P -	P 5,728,599,941
Building and leasehold improvements		3,043,052,771	19,092,188	-	3,076,530,502
Land and improvements		166,771,796			166,771,796
Laboratory and office equipment and improvements		749,354,277	2,735,693		737,704,425
Transportation equipment		50,952,894			50,952,894
		<u>9,708,382,716</u>	<u>52,176,843</u>		<u>9,760,559,558</u>
Less: accumulated depreciation					
Machineries and equipment		3,351,940,522	22,620,919		3,374,561,439
Building and leasehold improvements		1,116,683,175	28,309,184		1,144,992,359
Land and improvements		23,365,165	40,765		23,405,930
Laboratory and office equipment and improvements		418,023,333	25,065,999		443,089,333
Transportation equipment		40,070,004	226,947		40,296,951
		<u>4,950,082,199</u>	<u>76,263,815</u>		<u>5,026,346,012</u>
	P	<u>4,758,300,517</u>			<u>P 4,734,213,544</u>
		2023	Additions	Reclassification	2024
Cost:					
Machineries and equipment	P	5,590,131,105	P 108,119,873	P -	P 5,698,250,978
Building and leasehold improvements		2,981,114,994	61,937,777	-	3,043,052,771
Land and improvements		173,340,563	-	(6,568,767)	166,771,796
Laboratory and office equipment and improvements		725,659,070	23,695,207	-	749,354,277
Transportation equipment		49,295,534	2,324,176	(666,816)	50,952,894
		<u>9,519,541,266</u>	<u>196,077,033</u>	<u>(7,235,583)</u>	<u>9,708,382,716</u>
Less: accumulated depreciation					
Machineries and equipment		3,225,202,929	126,737,593	-	3,351,940,522
Building and leasehold improvements		1,010,195,031	106,488,144	-	1,116,683,175
Land and improvements		23,202,104	163,061	-	23,365,165
Laboratory and office equipment and improvements		392,849,706	25,173,627	-	418,023,333
Transportation equipment		39,794,118	824,693	(548,807)	40,070,004
		<u>4,691,243,888</u>	<u>259,387,118</u>	<u>(548,807)</u>	<u>4,950,082,199</u>
	P	<u>4,828,297,378</u>			<u>P 4,758,300,517</u>

The depreciation on property, plant and equipment are charged to the following:

		<u>March 2025</u>		<u>Dec. 2024</u>
Cost of goods manufactured and sold (see Notes 20 and 21)	P	51,115,225	P	166,411,095
Selling and distribution expenses (see Note 22)		13,003,247		32,653,485
General and administrative expenses (see Note 23)		<u>12,145,343</u>		<u>60,322,538</u>
	P	<u>76,263,815</u>	P	<u>259,387,118</u>

In 2024, the Parent Company sold parcels of land from Ibaan, Batangas and transportation equipment with book values amounting to P6.6 million and P0.1 million, respectively. The proceeds from this sale amounted to P43.1 million resulting to gain on sale of property and equipment amounted to P36.5 million (see Note 26).

There were no capitalizable interest for the years ended March 31, 2025 and 2024.

The property, plant and equipment pledged as security for liabilities in 2025 and 2024 are disclosed in Note 15.

Management believes that there is no indication that an impairment loss has occurred during the year. The carrying values of the property, plant and equipment approximate their fair values.

11. INTANGIBLE ASSETS

This account consists the Group's trademarks and licenses and patents and rights.

Trademarks and licenses

In 2016, the Group acquired the trade name "Dr. Edwards" from Antech and the entire products manufactured under the trade name (see Note 8). Trademarks and licenses pertain to the international trademarks (a) Lidex®; (b) Lidemol®; (c) Synelar®; and (d) Dobutrex® which the Group acquired from Stiefel Laboratories, Inc. and Glaxosmithkline Philippines, Inc. in 2011.

The balance of trademarks and licenses amounted to P268.13 million as at March 31, 2025 and 2024.

Patents and Rights

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

Movement of patents and rights account as at March 31, 2025 and 2024 are as follows:

	2025	2024
Cost	P 3,605,080	P 3,605,080
Less: Accumulated amortization	<u>3,605,080</u>	<u>3,605,080</u>
Balance at end of year	<u>P -</u>	<u>P -</u>

Amortization is charged to general and administrative expense in the Group's consolidated statements of comprehensive income (*see Note 23*).

The Group assessed its intangible assets whether there is any indications of impairment. Based on management's evaluation, no impairment losses were identified as at March 31, 2025 and 2024.

12. OTHER NON-CURRENT ASSETS

This account consists of:

	2025	2024
Rental and security deposits (<i>see Note 30</i>)	P 177,992,855	P 169,175,352
Advances to suppliers and contractors net of current portion (<i>see Note 7</i>)	69,742,861	75,494,072
Prepaid marketing and development expense net of current portion (<i>see Note 9</i>)	10,104,285	12,645,940
Advances to officers and employees, net of current portion (<i>see Notes 7 and 18</i>)	31,915,081	30,272,272
Bidders and performance bonds, net of current portion (<i>see Note 9</i>)	13,880,849	14,054,915
Deferred input VAT, net of current portion (<i>see Note 9</i>)	2,515,367	3,583,572
Investment in club shares	200,000	200,000
Others	<u>-</u>	<u>2,830,810</u>
	<u>P 306,351,299</u>	<u>P 308,256,933</u>

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

Investment in club shares represents the Group's investment in Casino Español de Manila (CEdM) shares. The Group's investment in club shares is classified as equity instrument designated at fair value through OCI as at December 31, 2024 and 2023.

No impairment loss was recognized in 2025 and 2024.

The carrying values of other noncurrent assets approximate their fair values.

13. TRADE AND OTHER PAYABLES

This account consists of:

	<u>2025</u>		<u>2024</u>
Trade			
Third party	395,636,696	P	349,494,747
Accrued expenses	90,774,310		73,235,206
Payable to government agencies	22,453,218		66,279,059
Deferred revenue	9,475,875		371,514
Advances from officers and employees	<u>-</u>		<u>222,591</u>
	<u>518,340,099</u>	P	<u>489,603,117</u>

Trade payables are unsecured and noninterest-bearing and are normally settled in 30 to 90 days. This account represents payables arising mainly from purchases of inventories.

Accrued expenses pertain to accrual of employee benefits, repairs and maintenance, utilities and other operating related expenses. These are unsecured and noninterest-bearing and are normally settled in 30 days.

Payable to government agencies includes deferred output VAT, withholding taxes, and mandatory contributions and loan payment to the Social Security System (SSS), Philhealth Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF) which are normally settled in the subsequent month.

Deferred revenue pertains to customers' purchase of gift certificates that are still outstanding as at March 31, 2025 and 2024.

The carrying values of trade and other payables approximate their fair values.

14. NOTES PAYABLE

This account pertains to the Group's Omnibus credit lines with an aggregate amount of about P4.0 billion on a clean basis from various commercial banks. These credit lines provide for cash borrowings (Peso or Dollar), Export/Domestic Bills Purchase Lines, Banker's Acceptances and Letters of Credit (with no marginal deposit at opening). The Group's various obligations are secured by the Surety of a Group's key management officer. Availments are for a period of 180 to 360 days, with interest payable monthly or every 60 to 90 days in arrears at prevailing bank loan rates.

The movements in this account are as follows:

	<u>2025</u>		<u>2024</u>
Balance at beginning of the year	2,541,683,889	P	2,606,511,000
Availments	892,700,000		3,043,952,209
Repayments	<u>(1,046,954,413)</u>		<u>(3,108,779,320)</u>
Balance at end of the period	<u>2,387,429,476</u>	P	<u>2,541,683,889</u>

Notes payables are unsecured and peso-denominated bank loans that bear interest rates ranging from 5.0% to 10.0% and 5.0% to 9.8% per annum in 2024 and 2023, respectively.

Interest expenses incurred in March 31, 2025 and 2024 amounted to 75.2 million, and P73.3 million, respectively (see Note 25).

15. LOANS PAYABLE

This account pertains to various loans availed by the Group from local banks. Principals are payable quarterly while the interest is payable monthly up to maturity date that varies from three (3) to ten (10) years from availment date.

Loans payable is presented in the statements of financial position as follows:

		<u>2025</u>		<u>2024</u>
Current	P	241,731,814	P	285,650,564
Non-current		<u>771,242,762</u>		<u>774,251,237</u>
	P	<u>1,012,974,576</u>	P	<u>1,059,901,801</u>

The movements in this account are as follows:

		<u>2025</u>		<u>2024</u>
Balance at beginning of year		1,059,901,801	P	876,658,333
Availments				209,791,384
Repayments	(	<u>46,927,225</u>)	(	<u>26,547,916</u>)
Balance at end of year		<u>1,012,974,576</u>	P	<u>1,059,901,801</u>

The loans are collateralized by a mortgage on land with an area of 36,314 square meters in Cavite; building and improvements on land; and machineries and equipment consisting of three production lines. Details of fair value of property, plant and equipment pledged as security to these loans are as follows:

		<u>2025</u>		<u>2024</u>
Land	P	446,662,000	P	446,662,000
Building and improvements		156,746,000		156,746,000
Machineries and equipment		<u>1,974,357,300</u>		<u>1,974,357,300</u>
	P	<u>2,577,765,300</u>	P	<u>2,577,765,300</u>

Property, plant and equipment are stated at its fair values which were appraised by an accredited external appraiser.

Long-term loans bear interest rates ranging from 6.5% to 8.5% in 2024 and 4.8% to 8.5% in 2023 that will mature on various dates starting in 2020 through 2028. These loans are subject to interest repricing periodically.

Year	Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years	Total
2025	Term loans	6.58% to 8.5%	P 241,731,814	P 633,001,237	P 141,250,000	P1,012,974,576
2024	Term loans	4.8% to 8.5%	P 285,650,564	P 633,001,237	P 141,250,000	P1,059,901,801

Interest expense incurred in 2025 and 2024 amounted to P63.5million and P73.3 million, respectively (*see Note 25*).

16. TRUST RECEIPTS PAYABLE

This account pertains to trust receipts availed by the Group from various local banks in connection with its importation of raw materials, bearing interest rates from 5.8% to 9.0% and 4.8% to 8.5% per annum in 2025 and 2024, respectively. This is part of the availments from Omnibus Credit lines of various commercial banks.

Credit lines provide for (a) no margin deposits at opening of letters of credit; (b) foreign exchange conversion at prevailing bank rate; and (c) trust receipts available up to 180 days with interest payable monthly or every 30 to 90 days in arrears at prevailing bank loan rate.

As at March 31, 2025 and 2024, outstanding trust receipts payable amounted to P544.9 million and P498.7 million, respectively.

Interest expense incurred in March 2025 and March 31, 2024 amounted to P9.8 million and P7.5million, respectively (*see Note 25*).

17. EQUITY

Capital Stock

Capital stock consists of:

	Number of shares	Amount
Common stock – P1 par value		
Authorized	5,000,000,000	P 5,000,000,000
Issued and outstanding	4,112,140,540	P 4,112,140,540

Total shares registered and outstanding as at March 31, 2025 and 2024 is 4,112.1 million. These shares are held by 540 and 541 stockholders as at December 31, 2024 and 2023, respectively. There have been no recent changes in the number of shares issued and outstanding. Details of the Group's common shares registration are as follows:

	Authorized shares	Number of shares	Issued offer price
1988	1,200,000	300,000	P 100
1994	18,800,000	4,700,000	100
1997	-	200,000	100
1999	1,980,000,000	594,800,000	1
August 5, 1999	600,000,000	600,000,000	1
March 29, 2001	1,200,000,000	300,000,000	1
December 28, 2001	-	225,000,000	1
December 26, 2002	-	275,000,000	1
December 15, 2003	-	200,000,000	1
December 20, 2004	-	220,000,000	1
December 21, 2006	-	242,000,000	1
July 24, 2007	-	266,200,000	1
December 19, 2007	-	292,820,000	1
December 17, 2008	-	322,102,000	1
September 6, 2010	1,200,000,000	300,000,000	1
April 12, 2011	-	269,018,540	1
	<u>5,000,000,000</u>	<u>4,112,140,540</u>	

Additional Paid-in Capital

Additional paid-in capital consists of amount received in excess of the par value of the shares issued, net of directly attributable transaction costs on the initial public offering.

Dividend Declaration

In the meeting held on October 29, 2024, the Parent Company's BOD approved the declaration of cash dividends of P0.06 per share equivalent to P246.7 million from unrestricted retained earnings as at December 31, 2023 to all shareholders of record as at November 15, 2024, payable on December 2, 2024.

In the meeting held on October 24, 2023, the Parent Company's BOD approved the declaration of cash dividends of P0.035 per share equivalent to P143.9 million from unrestricted retained earnings as at December 31, 2022 to all shareholders of record as at November 10, 2023, payable on November 28, 2023.

Prior Period Adjustments

Prior period adjustments pertain to adjustment on input VAT from exempt sales from the Parent Company and adjustment made for right-of-use asset and lease liabilities from existing leases from Hemotek, a subsidiary.

a. Adjustment on input VAT

During the year, the Parent Company identified a prior period adjustment related to input VAT amounting to P57.9 million, which pertains to exempt sales disallowed by the Bureau of Internal Revenue during their examination. The disallowance of the exempt sales occurred in previous years, but the error was considered immaterial to the financial statements for those years.

b. Adjustment on right-of-use assets and lease liabilities

During the year, Hemotek, a subsidiary, conducted a review of its existing lease contracts and identified a lease that required accounting under PFRS 16, *Leases*. The resulting adjustment had a net impact of P0.7 million on retained earnings.

In accordance with PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Group opted not to restate the prior year financial statements, as the amount is not considered significant to the financial position or performance of those periods. Instead, the Group has charged the adjustment in the opening balance of retained earnings as at January 1, 2024. As a result, the opening balance of retained earnings as at January 1, 2024 was adjusted by P58,620,975.

The affected accounts as at January 1, 2024 are presented as follows:

	Opening balance	Adjustments	Adjusted Balance
Statement of Financial Position			
Other current assets	P 555,205,785	(P 57,874,585)	P 497,331,200
Right-of-use assets	132,893,063	8,245,278	141,138,341
Deferred tax asset, net	109,149,428	248,796	109,398,224
Lease liabilities	148,080,009	9,240,464	157,320,473
Statement of changes in equity			
Retained earnings	1,691,589,188	(58,620,975)	1,632,968,213

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one of the party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control are controlled by, or under common control with the Group; (b) other related parties; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

	Year	Classification	Terms and Condition	Allowance for expected credit losses/expected credit losses for the year	Amount of the transaction (in millions)	Outstanding Balance
(a) <i>Parent Company</i> US Automotive Co., Inc.	2025	Rental and light and water administrative and expenses (Note 30)	Lease term is for year period renewable annually upon mutual agreement	P -	P 7.1	P -
	2024			-	40.7	-
	2025	Dividends paid (Note 17)	Paid in cash noninterest-bearing	-	0.00	-
	2024			-	144.1	-
(b) <i>Other Related Parties</i> Phil. Trust Company	2025	Cash in bank (Note 5)	Earn interest at the prevailing bank deposits rates, unimpaired	-	551.8	551.8
	2024			-	362.2	362.2
	2025	Trade payables and marketing & development expense (Notes 13 and 22)	Unsecured non-interest bearing no term payable in cash no guarantees	-	-	-
	2024			-	1.0	1.0
	2025	Property, plant and equipment (Note 10)	Unsecured non-interest bearing, 30 days terms, payable in cash, no guarantees	-	0.2	-
	2024			-	-	-
	2025	Miscellaneous expense under selling and distribution expense (Notes 13 and 22)	Unsecured non-interest bearing 30 days term, payable in cash no guarantees	-	1.1	-
	2024			-	2.5	-
	2025	Lease (Note 30)	Unsecured non-Interest bearing, 30 days term, payable in cash, no guarantee	-	1.5	-
	2024			-	3.0	-
	2025	Advances to officers and employees (Notes 7 and 12)	Unsecured Interest bearing, receivable through salary deduction	-	-	50.9
	2024			-	13.4	51.4
(c) <i>Key Management Personnel</i> Director and officer	2025			-	-	-
	2024			-	-	-

Other related parties are entities that are owned and controlled by the major shareholders of the Group and neither a subsidiary nor an associate of the Group.

The following are other relevant related party disclosures:

Identification	Nature of Relationship	Business Purpose of Arrangement	On-going Contractual or Other Commitment
US Automotive Co., Inc.	Ultimate Parent Company	Lease of principal office	Lease contract (<i>Note 30</i>)
		Dividends paid	No contract
Phil. Trust Company	Other related parties under common control of certain major stockholders	Engaged in regular bank transaction	No contract
Manila Bulletin Publishing Corporation	Other related parties under common control of certain major stockholders	Availment of hotel services	No contract
Advance Solutions, Inc.	Other related parties under common control of certain major stockholders	Availment of Computer equipment	No contract
Manila Prime Holdings, Inc.	Other related parties under common control of certain major stockholders	Rental of warehouse	Lease contract (<i>Note 30</i>)
Director and Officer	Key Management personnel/ stockholders	Advances which include salary and emergency loans payable within a year through salary deduction	No contract

Transactions with related parties were made at normal market prices. An assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Transactions with related parties have been fairly evaluated since the Group treated it same with the transactions to third parties.

There are no parties that fall outside the definition of "related parties" with whom the Group or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis.

19. REVENUES

This account consists of:

	<u>2025</u>		<u>2024</u>
Sale of goods	1,145,461,490	P	834,173,643
Sale of services	<u>481,451,222</u>		<u>334,636,997</u>
Total sales (net)	<u>1,629,912,712</u>		<u>1,168,810,640</u>

The table below disaggregate the Group's revenue by geographical markets:

	<u>2025</u>		<u>2024</u>
Local sales	1,607,388,741	P	1,125,135,340
Export sales			
ASEAN	13,514,383		26,405,169
Other Asian Countries	179,544		676,502
Others	<u>8,830,044</u>		<u>16,593,628</u>
	<u>1,629,912,712</u>	P	<u>1,168,810,640</u>

20. COST OF GOODS MANUFACTURED AND SOLD

This account consists of:

	<u>2025</u>	<u>2024</u>
Cost of goods manufactured:		
Direct materials	P 313,059,639	P 227,589,118
Direct labor (<i>see Note 28</i>)	56,024,595	49,589,632
Manufacturing overhead (<i>see Note 21</i>)	<u>259,016,332</u>	<u>200,413,406</u>
Total manufacturing cost	628,100,566	477,592,156
Add finished goods, beginning (<i>see Note 8</i>)	<u>553,316,516</u>	<u>574,269,466</u>
Good available for sale	1,181,417,083	1,051,861,623
Less finished goods, ending (<i>see Note 8</i>)	<u>582,626,185</u>	<u>650,133,243</u>
	<u>598,790,897</u>	<u>401,728,379</u>
Merchandise inventory:		
Merchandise inventory, beginning (<i>see Note 8</i>)	254,356,117	229,188,392
Add purchases	<u>139,234,663</u>	<u>69,615,704</u>
Goods available for sale	393,590,781	298,804,097
Less merchandise inventory, ending (<i>see Note 8</i>)	<u>214,900,566</u>	<u>162,533,311</u>
	<u>178,690,214</u>	<u>136,270,786</u>
Cost of services:		
Supplies used	106,141,837	80,543,799
Depreciation (<i>see Notes 10 and 30</i>)	33,903,764	21,899,802
Personnel expenses (<i>see Note 28</i>)	15,271,679	15,854,435
Outside services	23,781,111	20,475,451
Rentals (<i>see Note 30</i>)	60,171,973	29,234,367
Communication, light and water	19,279,998	16,556,223
Professional fees	27,629,387	12,260,557
Laboratory fees	2,307,424	322,276
Spoilage	-	-
Others	<u>7,563,910</u>	<u>8,336,669</u>
	<u>296,051,087</u>	<u>205,483,581</u>
	P <u>1,073,532,195</u>	P <u>743,482,746</u>

The details of direct materials are presented below:

		2025		2024
Raw materials, beginning	P	693,100,473	P	645,351,328
Add purchases		<u>279,933,855</u>		<u>148,234,908</u>
Raw materials available for use		973,034,329		793,586,236
Less raw materials, ending (<i>see Note 8</i>)		<u>(659,974,690)</u>		<u>(565,997,117)</u>
Direct materials used	P	<u>313,159,639</u>	P	<u>227,589,118</u>

21. MANUFACTURING OVERHEAD

This account consists of:

		2025		2024
Repair and maintenance	P	69,223,301	P	56,012,051
Gas and oil		59,138,501		40,683,659
Light and water		35,063,650		27,592,559
Personnel expenses (<i>see Note 28</i>)		21,338,183		23,814,133
Depreciation (<i>see Note 10</i>)		23,413,011		23,002,355
Laboratory supplies		10,060,031		3,869,835
Production supplies		8,395,139		6,546,078
Transportation and travel		6,241,935		3,964,632
Rentals(<i>see Note 30</i>)		1,384,143		1,008,000
Insurance		2,023,327		1,092,549
Security services		1,137,776		1,052,670
Representation and entertainment		2,022,297		1,154,340
Taxes and licenses		2,570,199		750,014
Office and warehouse supplies		587,518		395,463
Research and development		1,240,893		285,572
Security agency fee		112,877		104,397
Postage, telephone and telegram		82,639		66,151
Professional fees		81,000		86,900
Miscellaneous		<u>14,899,912</u>		<u>8,571,748</u>
	P	<u>259,016,332</u>	P	<u>200,413,406</u>

Expenses included under miscellaneous pertain to other cost of goods manufactured that the individual amount of which are immaterial and below 1 percent of the Group's total manufacturing overhead.

22. SELLING AND DISTRIBUTION COSTS

This account consists of:

		2025		2024
Delivery expense	P	89,147,945	p	63,693,214
Personnel expenses (see Note 28)		41,327,657		32,899,475
Marketing and development expense (see Notes 9 and 12)		30,083,021		15,814,016
Senior citizen and person with disability (PWD) discount		34,354,792		24,653,745
Transportation and travel		24,581,974		14,127,334
Depreciation (see Notes 10 and 30)		13,003,247		8,163,371
Taxes and licenses		11,936,436		9,094,162
Training and seminars		16,811,796		13,731,243
Representation and entertainment		2,355,514		1,264,904
Repairs and maintenance		4,322,598		1,426,171
Insurance		1,835,365		1,290,518
Light and water		4,310,571		1,204,264
Postage and telephone		1,059,276		768,670
Office and warehouse supplies		559,712		552,386
Rentals (see Note 30)		7,563,235		4,889,987
Miscellaneous		11,794,842		4,066,583
	P	295,047,985	p	197,639,986

23. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

		2025		2024
Personnel expenses (see Note 28)	P	18,880,802	p	25,418,177
Depreciation and amortization (see Note 10 and 11)		12,145,343		11,227,395
Taxes and licenses		13,580,882		7,729,686
Allocable input VAT		8,502,904		6,318,642
Rentals (see Note 30)		5,517,699		7,237,020
Transportation and travel		2,869,863		5,651,223
Communication, light and water		2,953,423		5,432,778
Professional fees		5,276,867		4,743,452
Outside services		6,000,574		5,030,131
Representation & entertainment		3,135,022		3,820,082
Repair and maintenance		613,727		3,140,591
Office supplies		2,332,972		3,102,655
Insurance		292,303		333,700
Training and seminars		104,253		325,034
Miscellaneous		7,810,832		9,069,714
	P	90,017,466	p	98,580,278

Expenses included under miscellaneous pertains to bank charges, SSS and other employee, benefits, subscription dues and other general and administrative expenses that the individual amount of which are immaterial and below 1 percent of the Group's total general and administrative expenses.

24. OTHER INCOME (EXPENSE)

This account consists of:

	2025		2024
Unrealized gain (loss) on financial assets at FVPL (<i>see Note 6</i>)	P	P	-
Interest income (<i>see Note 5</i>)	383,966		341,761
Realized gain (loss) on foreign exchange - net	88,064		(240,555)
Unrealized gain on foreign exchange - net			
Interest expense (<i>see Note 25</i>)	(75,008,540)		(73,317,572)
Miscellaneous income (<i>see Note 26</i>)	4,230,179		2,993,580
Miscellaneous expense (<i>see Note 27</i>)	(12,067,632)		(635,176)
	P	P	(70,857,962)

25. INTEREST EXPENSE

This account consists of:

	2025		2024
Trust receipts payable (<i>see Note 16</i>)	P	P	7,511,498
Notes and loans payable (<i>see Notes 14 and 15</i>)	65,250,362		65,806,074
	P	P	73,317,572

26. MISCELLANEOUS INCOME

This account consists of:

	<u>2025</u>	<u>2024</u>
Gain on sale of property and equipment (<i>see Note 10</i>)	P 3,874,278	P 2,791,635
Scrap sales and other income		
Interest on employees' advances		
For car/housing loan (<i>see Note 7</i>)	355,901	201,945
Gain on lease modification (<i>see Note 30</i>)		-
	<u>P 4,230,179</u>	<u>P 2,993,580</u>

27. MISCELLANEOUS EXPENSE

This account consists of penalties on deficiency tax assessments made by the BIR for taxable years 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Basic tax	P 10,572,603	P 561,416
Interest and surcharges	1,495,029	73,759
	<u>P 12,067,632</u>	<u>P 635,176</u>

28. PERSONNEL EXPENSES

Personnel expenses presented under cost of sales account is as follows (see Notes 20 and 21):

		<u>2025</u>		<u>2024</u>
Salaries and wages	P	38,652,805	P	35,620,358
Retirement benefit costs (see Note 29)		895,058		
Other employee benefits		<u>9,645,081</u>		<u>13,607,059</u>
	P	<u>49,192,946</u>	P	<u>49,227,417</u>

Personnel expenses presented under selling and distributions and general and administrative expenses account is as follows (see Notes 20 and 21):

		<u>2025</u>		<u>2024</u>
Salaries and wages	P	55,104,734	P	54,970,716
Retirement benefit costs (see Note 29)				
Other employee benefits		<u>5,103,725</u>		<u>4,431,215</u>
	P	<u>60,208,458</u>	P	<u>59,401,931</u>

29. RETIREMENT BENEFITS

The Group has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its qualified regular employees. The retirement benefit is based on a certain percentage of final monthly basic salary for every year of credited service of the employees. The benefit obligation under the defined benefit retirement plan is determined using the projected unit credit method. The benefits to be received by the employees under the Group's defined benefit retirement plan meet the minimum mandated benefit under R.A. No. 7641. Retirement benefit liability is based on the actuarial valuation report as at December 31, 2024.

The components of retirement benefit costs included under "Personnel expenses" account (see Note 28) in the consolidated statements of comprehensive income are as follows:

		<u>2024</u>		<u>2023</u>
Current service cost	P	18,014,450	P	15,910,530
Net interest cost		<u>10,688,575</u>		<u>11,273,243</u>
	P	<u>28,703,025</u>	P	<u>27,183,773</u>

Retirement benefit costs is distributed as follows:

	<u>2024</u>	<u>2023</u>
Cost of sales (see Note 28)	P 12,140,696	P 11,453,291
Selling and distribution expenses (see Note 28)	9,901,446	9,455,202
General and administrative expenses (see Note 28)	<u>6,660,883</u>	<u>6,275,280</u>
	<u>P 28,703,025</u>	<u>P 27,183,773</u>

Movements in retirement liability recognized in the consolidated statements of financial position are as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 244,236,531	P 221,621,228
Amount recognized in profit or loss	28,703,025	27,183,773
Amount recognized in OCI	(7,178,240)	11,512,919
Benefit paid	<u>(7,802,123)</u>	<u>(16,081,389)</u>
	<u>P 257,959,193</u>	<u>P 244,236,531</u>

The movements in the present value of the obligation are presented below:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 244,236,531	P 221,621,228
Current service cost	18,014,450	15,910,530
Interest cost	10,688,575	11,273,243
Remeasurement losses (gains) recognized in OCI:		
Experience adjustments	(9,837,312)	(93,849)
Changes in financial assumptions	2,659,072	11,606,768
Benefit paid	<u>(7,802,123)</u>	<u>(16,081,389)</u>
	<u>P 257,959,193</u>	<u>P 244,236,531</u>

The principal assumptions used in determining retirement liability are as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	6.09% to 6.11%	6.07% to 6.09%
Future salary increase	1.00% to 5.00%	1.00% to 5.00%

Sensitivity analysis on net retirement liability as at December 31, 2024 and 2023 are as follows:

	2024		2023	
	Changes in rate	Effect on net retirement benefit liability	Changes in rate	Effect on net retirement benefit liability
Discount rate	+1.00%	P 247,613,906	+1.00%	P 234,469,786
	-1.00%	269,598,352	-1.00%	254,530,982
Future salary increase	+1.00%	259,943,892	+1.00%	245,799,242
	-1.00%	256,204,450	-1.00%	241,999,806

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring as at the end of the reporting period.

Details of other comprehensive income (loss) in the consolidated statements of comprehensive income are as follows:

	2024	2023
Actuarial gain (loss)	P 7,178,240	(P 11,512,919)
Deferred tax for the period	(1,794,560)	2,878,230
	<u>P 5,383,680</u>	<u>(P 8,634,689)</u>

The cumulative remeasurement gains on net retirement benefit liability recognized in the consolidated statements of equity are presented in *Note 33*.

The maturity analysis of the undiscounted net retirement benefit liability is as follows:

Plan Year	2024	2023
Less than one year	P 136,975,202	P 136,097,459
More than one year to five years	55,559,307	47,887,376
More than five years to ten years	104,450,241	98,853,389
More than ten years to fifteen years	138,379,330	127,860,124
More than fifteen years to twenty years	149,878,687	133,491,358
More than 20 years	144,410,720	120,480,802
	<u>P 729,653,487</u>	<u>P 664,670,508</u>

The average duration of the retirement benefit liability at the end of the reporting period is 6.91 to 12.42 years in 2024 and 6.91 to 13.06 years in 2023.

30. LEASE

The Group as a Lessee

The Group has lease contracts for various buildings wherein its warehouses or distributions centers, store branches, medical centers and office premises are located. Lease terms are generally between 1 year up to 10 years, renewable upon mutual agreements of both parties. The monthly fees are based on fixed rate subject to 2.5% to 6.0% escalation rate.

Movements in lease liabilities are presented below:

		<u>2025</u>		<u>2024</u>
Balance at beginning of year	P	148,080,009	P	148,080,009
Adjustment(<i>see Note 17</i>)		9,240,464		9,240,464
Additions		104,851,609		104,851,609
Lease modification	(	7,115,079)	(	1,047,149)
Accretion of interest (<i>see Note 25</i>)		12,212,289		12,212,289
Payments	(	80,820,140)	(	80,820,140)
		<u>186,449,152</u>		<u>192,517,082</u>
Less current portion		<u>66,815,432</u>		<u>66,983,492</u>
Non-current portion	P	<u>119,633,720</u>	P	<u>125,533,590</u>

31. INCOME TAXES

The President signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It will take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Applying the provisions of the CREATE Act, the Group would have been subjected to a lower regular CIT rate of 25% effective July 1, 2020.

32. EARNINGS PER SHARE

Basic and diluted EPS based on net income are as follows:

		<u>2025</u>		<u>2024</u>
Net profit	P	66,026,607	p	43,633,018
Divided by weighted average number of issued and outstanding common shares		<u>4,112,140,540</u>		<u>4,112,140,540</u>
	P	<u>0.02</u>	P	<u>0.01</u>

Basic and diluted EPS based on total comprehensive income are as follows:

	<u>2025</u>		<u>2024</u>	
Total comprehensive income	P	66,026,607	P	43,633,018
Divided by weighted average number of issued and outstanding common shares		<u>4,112,140,540</u>		<u>4,112,140,540</u>
	P	<u>0.02</u>	P	<u>0.01</u>

Diluted EPS is equal to the basic EPS since the Group does not have potential dilutive shares.

33. OTHER COMPONENT OF EQUITY

This account pertains to cumulative comprehensive income (loss) recognized in the consolidated statements of comprehensive income. Comprehensive income (loss) consists of net income or loss for the year, together with other gains and losses that are not recognized in profit or loss for the year as required or permitted by PFRS Accounting Standards collectively described as Other comprehensive income (loss).

The cumulative remeasurement gains on net retirement benefit liability recognized in the consolidated statements of comprehensive income are as follows:

	<u>2025-2024</u>		
	<u>Cumulative Remeasurement Gain on Retirement Benefit Liability</u>	<u>Deferred Tax Benefit (Expense)</u>	<u>Net</u>
Balance at beginning of year	(P 33,134,900)	P 7,983,923	(P 25,150,977)
Remeasurement gain	<u>7,178,240</u>	<u>(1,794,560)</u>	<u>5,383,680</u>
Balance at end of year	<u>(P 25,956,660)</u>	<u>P 6,189,363</u>	<u>(P 19,767,297)</u>

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table summarizes the changes in liabilities arising from financing activities:

	<u>December 31, 2024</u>	<u>Cash Flows</u>	<u>Adjustment</u>	<u>March 31, 2025</u>
Trust receipts payable	P 498,734,364	P 46,244,758	P -	P 544,979,122
Notes payable	2,541,683,889	(154,254,413)	-	2,387,429,476
Loans payable	1,059,901,801	46,927,225	-	1,012,974,576
Lease liabilities	<u>192,517,082</u>	<u>(6,067,930)</u>		<u>186,449,152</u>
	<u>P 4,292,837,136</u>	<u>(161,004,810)</u>	<u>P -</u>	<u>P 4,131,832,326</u>

	December 31, 2023	Cash Flows	Adjustment	December 31, 2024
Trust receipts payable	P 407,707,584	P 91,026,780	P -	P 498,734,364
Notes payable	2,606,511,000	64,827,111)	-	2,541,683,889
Loans payable	876,658,333	183,243,468	-	1,059,901,801
Lease liabilities	148,080,009	(80,820,140)	125,257,213	192,517,082
	<u>P 4,038,956,926</u>	<u>P 128,622,997</u>	<u>P 125,257,213</u>	<u>P 4,292,837,136</u>

35. OPERATING SEGMENT INFORMATION

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relate to manufacturing pharmaceutical products, providing health and other care services and development and operation of quick service restaurants.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS Accounting Standards. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

Geographic Information

	2025	2024
Revenues from external customers		
Net profit	P 1,607,388,741	P 1,125,135,340
Export sales	<u>22,523,971</u>	<u>43,675,300</u>
	<u>P 1,629,912,712</u>	<u>P 1,168,810,640</u>

The Group has no revenue from transactions with a single external customer accounting for 10% or more of the consolidated revenues. All property, plant and equipment of the Group are located in the Philippines.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurred between the statements of financial position date and the date on which these financial statements were approved by the Company's Board of Directors that would require adjustments to or disclosure in the financial statements.