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M I N E R A L E S I N D U S T R I A S C O R P O R A T I O N

(Company's Full Name)

U n i t 1 0 3 G r o u n d F l r . P r e s t i g e T o w e r
C o n d o m i n i u m F . O r t i g a s J r . A v e n u e
O r t i g a s C e n t e r , P a s i g C i t y

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

Atty. Ana Maria A. Katigbak
(Contact Person)

817-6791/897-5257
(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

1 7 - A
(Form Type)

4th Wed of May
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

Amended Articles Number/Section

124
Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended: December 31, 2013
2. SEC Identification Number: AS095-008557
3. BIR Tax Identification Number: 049-004-636-077
4. Exact name of issuer as specified in its charter: MINERALES INDUSTRIAS CORPORATION
5. Pasig City, Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. Unit 103, Ground Flr., Prestige Tower Condominium, F. Ortigas, Jr., Avenue, Ortigas Center,
Pasig City
Address of principal office Postal Code
8. (632) 817-6791/897-5257
Issuer's telephone number, including area code
9. Room 322 LRI Design Plaza, 210 Nicanor Garcia St., Makati City
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 Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P 1.00 par value	<u>690,000,000</u>

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

Yes [x] No []

The Philippine Stock Exchange Common Stock

12. Check whether the issuer:

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

Yes [x] No []

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

Yes [x] No []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2013:

Assumptions:

(a) Total number of shares held by non-affiliates as of December 31, 2013	178,920,700
(b) Closing price of the Registrant's share on the exchange as of December 31, 2013	<u>5.15</u>
Aggregate market price of (a) as of December 31, 2013	<u>921,441,605</u>

**APPLICABLE ONLY TO REGISTRANT'S INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

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

Yes [] No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:
- a. Any annual report to security holders - none
 - b. Any information statement filed pursuant to SRC Rule 20 - none
 - c. Any prospectus filed pursuant to SRC Rule 8.1 - none

MANAGEMENT REPORT

In 2013, the Company entered into a new era of focus and commitment, anchored on the strong position of Basic Environmental Systems and Technologies, Inc. ("BEST") in the solid waste management industry.

As we cross the threshold of BEST's second year in the Company, we acknowledge that much work has yet to be done to consolidate our position.

First and foremost, we place ourselves in God's graces as we uphold the three pillars that define the conduct of our business: trust, partnership and social responsibility.

Trust is people-centered. While intangible, it is what propels growth. Human capital is irreplaceable; it is our care for it that builds trust from within which eventually radiates outside. We believe we are able to sell ourselves effectively because of our clients' confidence in us as a solid and trustworthy organization.

The care we have for our partners, internal and external – that is, both our personnel and our clients – are at the core of our corporate existence. This has allowed us, and continues to give us the flexibility, to undertake new projects under various modalities of engagement, such as limited partnerships, joint ventures, consortia and public-private partnerships.

Our strategy is to continue building on our position of leadership in the field of waste management --- recognized as the only firm with fully integrated facilities for waste handling, management and disposal --- from having established centers of excellence in materials storage and recovery, all the way to recycling and the production of Refuse-Derived Fuel ("RDF"); and, from owning and operating sanitary landfills, up to energy recovery from waste facilities and similar initiatives to ensure a safe and healthy environment not only now but in the future. We thus have the advantage of full integration -- from providing the simple to the most complex of solutions; and from being able to offer the best available technologies and best environmental practices in solid waste management.

We are pleased to report that the Company now serves six (6) local government units in the Rizal area, up from the previous five (5) in its roster while continuing to expand its list of satisfied commercial clients.

Through BEST's active partnership with La Farge Industrial Ecology, S.A. ("La Farge"), the Company has become a participant in and a contributor to the country's and the world's initiatives to mitigate the impact of climate change through green energy projects involving the substitution of coal with RDF. RDF usage replaces approximately 10% of the coal consumption in La Farge's cement kilns in Teresa, Rizal and Norzagaray, Bulacan.

The Company is actually investing in the future today through its pioneering ventures in RDF production, as well as its active pursuit of similar renewable or green energy projects, all of which serve to contribute towards mitigating the adverse effects of climate change.

Waste (management) is and will always be an integral part of our future, taking form in intermediate projects involving energy generation, not necessarily just through RDF production, but also through the application of advanced but sustainable technologies that we are now studying.

Part of our strategy then is to grow laterally. Outside Metro Manila, inroads have been made in the Batangas, Cavite and Laguna corridors as these areas host various industrial zones, the locators of which have highly specific requirements for waste handling and disposal services. Negotiations are ongoing to locate a facility that will accommodate industrial waste for disposal, even while the Company seeks accreditation by the Philippine Economic Zone Authority ("PEZA") as residual waste hauler -- a move intended to access numerous opportunities in waste management in industrial zones located all over the country.

We also note that there are a lot of open dumpsites that need to be closed; 180 of these have already been ordered for closure but remain open. The possibility of sanctions and penalties being imposed on local government executives is strong for delayed compliance or non-compliance with R.A. 9003 on the closure of open dumps. It is this need that the Company, through BEST, seeks to fill by providing technical and engineering services for proper closure while strategically allowing interim disposal of municipal solid waste until a sanitary landfill is phased in and the closed dump is afforded the option of being developed into new land usage. In this regard, several LGUs have already approached the Company for assistance in complying with RA 9003.

Given all the opportunities for growth, we face 2014 with optimism and confidence. As in the past, we will remain focused on our core business while continually exploring opportunities in areas that can take advantage of our capabilities.


ISABELITA PEREDES MERCADO
Chairman and President

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

OVERVIEW

Minerales Industrias Corporation (“MIC” or the “Parent Company”), formerly Multitech Investments Corporation was originally organized as a diversified holding company. It was incorporated on August 31, 1995 under the name Armstrong Holdings Corporation as a company primarily engaged in the business of investment in real and personal property of every kind and description; and in the management of any business, joint venture firm, partnership, corporation, institution or entity.

The Parent Company started commercial operations on September 4, 1995 with an initial capitalization of Php 60.0 million. On October 27, 1997, the Company’s Board of Directors authorized the additional issuance of shares of stock amounting to Php 60.0 million from the unissued portion of the Company’s authorized capital stock at a par value of Php 1.00 per share.

On June 14, 1998, MIC listed its shares of stock in the Philippine Stock Exchange. The Parent Company offered for subscription to the public, sixty million (60,000,000) unclassified common shares at an offer price equal to its par value of Php 1.00 per share, increasing the Company’s capitalization to Php 180.0 million. The offer accounted for 33.3% outstanding capital stock of the Company. Proceeds from the offering amounting to Php 58.2 million were used to partly finance the additional equity investment in Orion Savings Bank Inc.

On December 10, 1999, the Parent Company’s stockholders and board of directors approved the increase in its authorized capital stock from 240.0 million shares to 740.0 million shares, all with par value of Php 1.00. On the same date, the Board of Directors resolved to amend the Articles of Incorporation and By-Laws of the Company, changing the name of the Company to Multitech Investments Corporation. The resolutions were ratified and approved by the stockholders during its annual meeting in June 2000.

On July 26, 2007 and August 31, 2007, the Board of Directors and stockholders, respectively approved the amendment of the Articles of Incorporation in order to (a) change the corporate name of the company from Multitech Investments Corporation to Minerales Industrias Corporation, (b) change its principal office from Pasig City to Makati City and (c) change the primary purpose clause of the Company to reflect the shift from being an investment company to a mining company.

On September 24, 2007, the Securities and Exchange Commission (SEC) approved the change in company name and primary purpose. The change in registered address was subsequently approved by the SEC on January 14, 2008.

On December 29, 2009, the Board of Directors approved the private placement of a total of 10.0 million common shares out of the unissued authorized capital stock of the Company at a subscription price of ₱1.00 per share. Of the total issue price of ₱10.0 million, ₱5.045 million was paid to the Company on December 31, 2009 while the balance was settled in full on February 1, 2010.

On January 29, 2010 and February 1, 2010, the Company’s shareholders paid for the outstanding subscriptions receivable amounting to ₱3,655,000 and ₱1,300,000, respectively.

On November 20, 2012, the Board of Directors approved the subscription of the IPM group of companies to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock of the Company previously approved by the stockholders, at a total subscription price of ₱500,000,000, payable in cash. Also, the Board of Directors authorized the acquisition of 615,000,000 shares in Basic Environmental Systems and Technologies, Inc. (BEST) at par value of ₱1 per share, which will constitute 75% of the resulting outstanding capital of BEST. BEST is a

corporation engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following within the IPM group of companies or any of their designees/nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock of the Parent Company previously approved by the shareholders, at a total subscription price of ₱500,000,000, payable in cash: (a) IPM Construction and Development Corporation, ₱350,000,000; (ii) IPM Environmental Services, Inc., ₱100,000,000; and (b) IPM Realty and Development Corporation, ₱50,000,000. On the same date, the stockholders approved the amendment of the primary purpose of the Parent Company to enable the Company to revert to being a holding company and give it more flexibility in looking for suitable investments.

On February 11, 2013 and February 12, 2013, the Parent Company received ₱50,000,000 and ₱450,000,000, respectively, as deposits for the said subscription to the proposed increase in the authorized capital stock of the Company.

On March 4, 2013, the Parent Company acquired shares in BEST and subscription rights from various stockholders of BEST amounting to ₱450,000,000 and ₱12,500,000, respectively, which resulted in the Company obtaining 75% interest in BEST, thereby treating BEST as its subsidiary starting March 4, 2013.

On June 11, 2013, the SEC approved the Parent Company's application for increase in authorized capital stock from ₱240,000,000 to ₱740,000,000 divided into 740,000,000 shares, with a par value of ₱1 per share and the amendment of the primary purpose of the Parent Company to revert back to a holding company.

On July 18, 2013, the Board of Directors approved the increase in the authorized capital stock of the Parent Company from ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share to ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1 per share. On the same date, the BOD approved the transfer of the principal address of the Parent Company from Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City to its current principal address, Unit 103, Ground Floor, Prestige Tower Condominium, F Ortigas Jr. Avenue Ortigas Center, Pasig City. These were subsequently approved by the shareholders on September 19, 2013. The SEC approved the amended articles of incorporation indicating the change of address on October 18, 2013.

On September 11, 2013, The Philippines Stock Exchange, Inc. (PSE) approved the application of the Parent Company to list the additional 500,000,000 common shares (the "Private Placement Shares") with a par value of P1.00 per share, at a Subscription Price of P1.00 per share. The Parent Company, the IPM Group, and Metropolitan Bank and Trust Company-Trust Banking Group ("Escrow Agent") executed an Escrow Agreement and Certification and Undertaking on November 15, 2013 and December 4, 2013, respectively, to implement the required lock-up of the Private Placement Shares.

On February 10, 2014, the Board of Directors approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST.

BUSINESS DESCRIPTION

MIC embarked on its first strategic investment in August 1996, acquiring a 20% stake in Armstrong Securities, Inc. (ASI) in partnership with EBC Capital Corporation. Nine months later, the Parent Company, together with Tong Yang Group of Korea, established a thrift bank, Orion Savings Bank Inc. (the "Bank"). In 1998, the proceeds from the offering of shares to the public were used for the additional investment of MIC in the Bank. The additional investment increased MIC's ownership stake in the Bank from twenty percent (20%) to forty percent (40%).

To provide diversity in the portfolio, the Parent Company also invested in Altech Fabrication Industries, Inc., a manufacturer and contractor of aluminum building materials. The foregoing investment was subsequently sold in 1997.

In September 1999, Mr. Dante T. Tan acquired for Php 294.25 million, a 59% equity stake in the Parent Company, equivalent to 107.0 million shares. Capitalizing on the strong showing of its investee companies, the Company sold Armstrong Securities Inc. and Orion Savings Bank to Golden Maple Holdings, Inc. and Harrigold Assets, Inc., respectively, for a total consideration of Php 152.3 million in September 1999. The Company then purchased Php 191.0 million worth of shares of BW Resources Corporation (now known as "Fairmont Holdings Inc.")

In November 1999, a Subscription Agreement was executed by and between the Parent Company and Mr. Dante T. Tan, for the latter to subscribe to sixty million (60,000,000) new common shares from the unissued authorized capital stock of the Company, for a total subscription price of Php 60.0 million.

In May 2000, Mr. Dante T. Tan had asked for the rescission of the subscription agreement. Likewise, Mr. Tan also has written the Parent Company expressing his withdrawal of interest in further subscribing to the 500 million common shares of the Parent Company which shall come from the Company's intended increase in authorized capital stock. The Board of Directors has since resolved to rescind the subscription contract on the 60.0 million common shares and to accept the withdrawal of interest in the subscription of the 500.0 million common shares of Mr. Tan.

In April 2002, a Subscription Agreement was signed between the Parent Company and the shareholders of Intercontinental Paper Industries, Inc. (IPII) where the latter will subscribe to the intended increase of authorized capital stock of 500,000,000 common shares and to the 60,000,000 million common shares from the unissued authorized capital stock of the Parent Company at Php1.00 par value. The new Subscribers will pay for the additional shares with 560,000,000 common shares ("IPII Shares") with par value of Php1.00 per share. The IPII Shares represent 100% of the outstanding capital common stock of IPII. After the issuance by the Parent Company of the additional shares to the New Subscribers and the transfer of the New Subscribers' IPII shares to the Parent Company, the paper manufacturing company shall be owned 100% by the Company. In April 2007, the Subscription Agreement with Shareholders of Intercontinental Paper Industries Inc. (IPPI) was been rescinded.

After several years of looking for suitable investments, MIC finally reached agreement with the IPM group of companies in late 2012 for: (i) the subscription by the IPM group to 500,000,000 shares of the Parent Company at a total subscription price of P500,000,000, and (ii) the acquisition by the company of a 75% equity interest in BEST, a member company of the IPM group, using the proceeds of the IPM group subscription. These transactions were approved by the stockholders of the Parent Company representing at least two-thirds of the Parent Company's outstanding capital stock in its meeting on February 8, 2013. The subscription agreements and related documents to implement the transactions were executed on March 4, 2013.

The Parent Company's subsidiary, BEST, is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

INDUSTRY TRENDS/COMPETITION

BEST is one of the few players in the solid waste management contracting industry which owns and operates its own sanitary landfill facility, having established the Morong Sanitary Landfill in 2008 to cater to the waste disposal needs of the cluster towns of Morong, Teresa, Baras and Cardona. In addition, it maintains under contract with its affiliate, IPM Environmental Services, Inc. (IPMESI), the latter's Quezon City Sanitary Landfill in Payatas which receives the solid waste of Quezon City.

Moreover, it has a large fleet of dump trucks and other hauling/materials handling equipment that it uses for its waste collection and management contracts.

An emerging trend in the solid waste management industry is the so-called refuse-derived fuel (RDF) which involves the processing of solid waste into fuel for the cement and power generation industries, in substitution for coal. The production of RDF not only reduces industry's dependence on fossil fuels but also prevents the accumulation of waste matter in landfills, extending the latter's service life to the benefit of the general populace.

BEST is at the forefront of this new technology, through the first ever RDF facility constructed in the country, which is owned by a BEST affiliate, Mundo Verde Corporation, a joint venture with La Farge Industrial Ecology International, SA and IPM ESI. After this first facility which went into operation in early 2013, BEST is seen as the lead company within the IPM group to undertake additional RDF plants, utilizing waste collected in IPM ESI's Quezon City Landfill, transfer stations operated by another affiliate, IPM Construction and Development Corporation, and BEST's own landfill in Morong.

BEST is currently in partnership with Lafarge Industrial Ecology International, SA ("LIEI") for another RDF facility under Ecoedge Resources Corporation ("Ecoedge"). Ecoedge is 60% owned by BEST and 40% owned by LIEI. The total cost of the project is estimated at Php127 million. The plant is expected to operate by November 2014 and produce 150 tons of RDF per day.

In the next several years, the Company intends to focus on growing BEST through the expansion of its municipal solid waste contracting business and establishment of additional facilities for the production of RDF. BEST is thus envisioned to provide significant income growth for the Company and its shareholders, particularly in light of the growing demand for renewable energy sources amid the burgeoning waste production of the rapidly growing urban population in the country, and BEST's unique position as a pioneer in RDF technology and its ready access to RDF feedstock.

SOURCES OF RAW MATERIALS AND NAMES OF PRINCIPAL SUPPLIERS

Not Applicable.

DEPENDENCE ON SINGLE CUSTOMER

Not Applicable.

TRANSACTION WITH AND/OR DEPENDENCE ON RELATED PARTIES

Except as disclosed in Note 15 of the audited consolidated financial statements for 2013 and 2012, there were no other transactions entered into with related parties.

PATENTS, TRADEMARKS, ETC.

No product patents, trademarks, licenses were executed for the Company.

GOVERNMENT APPROVALS AND REGULATION

The Company has secured all necessary business permits and licenses granted by the government and its appropriate agencies, which include the Certificate of Registration from the BIR, registration and licenses from the SEC, Social Security System, etc. At present, the Company does not know any specific government regulation imposed on its business that may have material effect on the Company which it has not complied with.

RESEARCH AND DEVELOPMENT

Not Applicable.

ENVIRONMENTAL LAWS

Not Applicable.

HUMAN RESOURCES

The Company has 33 employees as of December 31, 2013 of whom 4 are clerical, 4 are administrative, 21 are operations, one managerial and three executive. The employees were not subject to any Collective Bargaining Agreement (CBA).

Item 2. Properties

The consolidated Company's property, plant and equipment for the year 2013, is as follows: land Php115.25 million, building and improvements Php34.65 million, transportation equipment Php95.37 million, office equipment Php0.73 million and development cost of Php134.19 million, totaled of Php380.19 million.

The Company's property and equipment have no restrictions or not pledged as security for any liability.

Item 3. Legal Proceedings

The Parent Company has a subsidiary or affiliates and is not a party to and non of its property is the subject of any pending litigation or legal proceeding.

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

Other than the election of directors, approval of minutes of the 2013 annual stockholders' meeting, appointment of external auditors, and ratification of corporate acts, there were no other matters submitted to a vote of the security holders in 2013.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

(1) MARKET INFORMATION

The shares of the Company are listed and traded in the Philippine Stock Exchange. The high and low closing prices of the Company's shares for each quarter within the last two (2) years are as follows:

Year	Quarter	High (in Php)	Low (in Php)
2012	First	5.80	4.48
	Second	5.70	4.38
	Third	5.85	4.96
	Fourth	6.63	4.70
2013	First	7.65	5.95
	Second	6.70	5.00
	Third	6.18	5.20
	Fourth	5.35	4.80

The closing prices of the Company's shares as of the latest practicable trading dates are as follows:

Year	Month/Date	Closing Price (in Php)
2014	January 30	5.08
	February 28	5.00
	March 31	6.59
	April 24	4.90

(2) HOLDERS

The Company has only common stock, with P1.00 par value. As of December 31, 2013, the number of common shares issued and outstanding was 690.0 million shares, held by a total of 124 stockholders. The top twenty (20) stockholders of the Company as of December 31, 2013 were as follows:

Name	No. of Shares	Percentage to Total
1. PCD Nominee Corporation (Filipino)	668,949,074	96.949%
2. Jewelle Y. Lao	7,168,997	1.039%
3. PCD Nominee Corporation (Non-Filipino)	2,707,700	0.392%
4. William D. Ty	2,000,000	0.290%
5. Gener T. Mendoza	1,855,000	0.269%
6. Jocelyn Y. Lao	1,800,000	0.261%
7. David L. Kho	1,790,000	0.259%
8. Isabelita P. Mercado	1,000,000	0.145%
9. Sally Penalosa	1,000,000	0.145%
10. David L. Kho ITF Justine Dale Kho	423,000	0.061%
11. David L. Kho ITF Justine Dale Y. Kho	162,000	0.023%
12. Joseph Y. Lao	100,000	0.014%
13. S.J. Roxas & Co., Inc.	100,000	0.014%
14. Violeta L. Lim	74,000	0.011%
15. Ma. Teresita T. De Leon	61,000	0.009%
16. Hanson G. So &/or Larcy Marichi Y. So	61,000	0.009%
17. Pei Zhi Lin	60,000	0.009%
18. PCCI Securities Brokers Corporation	50,000	0.007%
19. Romeo G. Sese	37,000	0.005%
20. Roberto L. Uy	32,000	0.005%
TOTAL	689,430,771	99.99%

(3) DIVIDENDS

No dividends, either in cash or stock, were declared on the shares for the last three (3) years, i.e., 2013, 2012 and 2011. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors so long as such declaration will not impair the capital of the Company.

(4) RECENT SALES OF UNREGISTERED SECURITIES

No sales of unregistered securities or shares of the Company were made during the past five (5) years.

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

PLAN OF OPERATIONS

The Company's controlling stake in Basic Environmental Systems Technologies, Inc. (BEST) continues to provide a growing stream of revenues and income. In the next several years, therefore the Company intends to focus on growing BEST through the expansion of its municipal solid waste contracting business and establishment of additional facilities for the processing and conversion of solid waste into alternative fuel for the cement and power generation industries.

At the same time, the Company shall also look at opportunities for investing in other industries which can draw on and take advantage of the core capabilities of BEST and its affiliates in the IPM group. In this regard, the Company sought and obtained approval during the annual stockholders' meeting held on September 19, 2013 for the increase in its authorized capital stock to an amount not exceeding Five Billion Pesos (P5,000,000,000), in order to facilitate any capital raising activities that will be required for the Company's operations and business expansion.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the Company and subsidiary (the "Company") financial position and results of operations should be read in conjunction with the attached audited consolidated financial statements of the Company and its subsidiary.

2013

Income

Total consolidated income for the year amounted to Php293.74 million, 36% higher than the Php215.92 million posted in 2012. This is attributable mainly to the increase in revenues from consultancy and field services as well as from provision of hauling services for the RDF production of affiliate, Mundo Verde Corporation.

Expenses

Cost of services for the year increased by 29%, from Php129.68 million in 2012 to Php167.29 million in 2013. Increases in cost were experienced across the board, including manpower, fuel and lubricants, as well as repairs and maintenance, resulting from the overall expansion in the volume of business.

General and administrative expenses for the year went up by 119% from Php10.51 million in 2012 to Php22.97 million in 2013. This was mainly due to increases in taxes and licenses; salaries due to the beef up of management personnel; and other operating expenses.

Listing expense amounting to Php25.22 million was recognized in the consolidated statements for 2013, as a result of the application by the Company's external auditors of the reverse-acquisition mode of consolidating the Company's financial statements with those of BEST. The listing fee is the difference between the Company's acquisition cost of 75% of BEST against the fair value of BEST as of acquisition date in 2013.

Net Income

The twelve month operation of the Company ended with a net income of Php41.85 million, down 22.78% as compared to the Php54.20 million reported in 2012 largely due to the listing expense of Php25.22 million and the higher provision for income tax in 2013.

Financial Condition

Statements of financial position data	December 31, 2013	December 31, 2012	% Inc/(Dec)
Total Current Assets	568,709,220	443,433,023	28.25%
Total Assets	1,033,934,372	937,280,926	10.31%
Total Current Liabilities	319,895,106	791,305,889	(59.57%)
Total Liabilities	320,070,974	791,451,505	(38.80%)
Total Stockholders' Equity	713,863,398	145,829,421	389.52%

The material changes in the statements of financial position are as follows:

The Company's consolidated total assets rose by 10.31% from Php937.28 million in 2012 to Php1.03 billion in 2013.

- Cash and cash equivalents declined by 66% from Php103.7 million in 2012 to Php35.24 million in 2013. The decrease was mainly due to the settlement of long term liabilities.
- Trade and other receivables went up by 94% from Php209.98 million in 2012 to Php407.58 million in 2013. This is mainly attributable to the increase in contract services the company entered into during 2013.
- Other current assets decreased by 18% from Php29.76 million in 2012 to Php24.40 million in 2013 due to the provision for impairment on its prepaid taxes, creditable withholding tax and input VAT.
- Noncurrent assets went down by 5.8% from Php493.85 million in 2012 to Php465.23 million in 2013 due to the annual set-up of depreciation and amortization.

Total consolidated liabilities posted a 59.56% decrease from Php791.45 million in 2012 to Php320.07 million in 2013. The decrease was mainly due to the settlement of the Company's obligations to related parties.

Total stockholders' equity went up by 389.52% from P145.83 million in 2012 to Php713.86 million in 2013. The increase is primarily due to the increase in the Company's authorized capital stock as well as recognized net profit and revaluation surplus.

Current ratio increased from .56x in 2012 to 1.78x in 2013 due to the settlement of the Company's short term obligations. Net working capital thus stood at Php248.81 million in 2013, as compared to a negative balance of Php347.88 million in 2012.

Liquidity and Capital Resource

For the year ended December 31, 2013, net cash used in operations amounted to Php559.77 million as compared to the Php282.00 million net cash provided by operations in 2012. This reversal is mainly due to the settlement of obligations to related parties.

Net cash used in investing activities amounted to Php4.48 million in 2013 as compared to Php354.91 million in 2012, due to major additions to property and equipment in 2012.

2012

Income

Consolidated income for 2012 amounted to Php215.92, up 243% from the Php62.97 million posted in 2011. The jump was mostly the result of increased collections of consultancy and field services fees from the operation and maintenance of the Quezon City Sanitary Landfill.

Expenses

Total cost of services went up by Php84.2 million or 185%, from Php45.44 million in 2011 to Php129.68 million in 2012. Increases were posted across all cost items, including labor, materials, utilities, equipment rentals, fuel and oil, repairs and maintenance, licenses and permit and other expenses incurred in the delivery of services.

General and administrative expenses rose by 59%, from Php6.63 million in 2011 to Php10.51 million in 2012, again the result of supporting a bigger business base.

Net Income

The Company ended 2012 with a net income of Php54.20 million, up by 505.58% from the Php8.95 million posted in 2011.

Financial Condition

Statements of financial position data	December 31, 2012	December 31, 2011	% Inc/(Dec)
Total Current Assets	443,433,022	69,302,215	539.85%
Total Assets	937,280,926	337,513,257	177.70%
Total Current Liabilities	791,305,889	314,525,872	151.59%
Total Liabilities	791,451,505	314,622,928	201.62%
Total Stockholders' Equity	145,829,421	22,890,329	537.08%

The material changes in the statements of financial position are as follows:

Total assets of the Company went up by 177.7% from Php337.51 million in 2011 to Php937.28 million in 2012 due to the increase in receivables from the expanded volume of contract services entered into during the year and the acquisition of fixed assets.

- Cash and cash equivalents stood by Php103.70 million in 2012 from Php7.85 million in 2011, the healthy cash balance arising from improved revenues and collections.
- Trade and other receivables rose by 322.4% % from Php49.71 million in 2011 to Php209.98 million in 2012, due to the increase in contract services the company entered into during the year.
- Other current assets increased by 153.49% from Php11.74 million in 2011 to Php29.76 million in 2012 due to the increases in input VAT and prepaid taxes.
- Noncurrent assets rose by 84.12% from Php268.21 million in 2011 to Php493.85 million in 2012. The increase is largely attributable to the acquisition of property and equipment.

Total liabilities increased by 155.55%, from Php314.62 million in 2011 to Php791.45 million in 2012, mainly due to increases in payables to related parties, accrued expenses and other current liabilities.

Total stockholders' equity went up by 537% from P22.89 million in 2011 to Php145.83 million in 2012 due the increase in the capitalization of BEST in 2012.

Current ratio improved from .22x in 2011 to .56x in 2012 while net working capital in 2012 stood at a negative balance of Php347.88 million as compared to a negative balance of only Php245.22 million in 2011, the deterioration resulting from the substantial acquisition of property and equipment in 2012 using short term funding.

Liquidity and Capital Resource

For the year ended December 31, 2012, net cash provided by operations amounted to Php282 million as compared to Php206.59 million in 2011. The slight increase is attributed to the increase in due related parties of Php294.55 million which exceeded the increase in receivables of Php158.46 million and other current assets of Php19.83 million.

Net cash used in investing activities amounted to Php354.91 million in 2012 as compared to Php200.70 million in 2011. Acquisition of property and equipment amounted to Php255.60 million, and the increase in short term deposit amounted to Php100 million.

2011

Income

Total income for 2011 amounted to Php62.97 million, 173% higher than the Php23.02 million posted in 2010.

Expense

Total cost of service increased by 125% from Php20.16 million in 2010 to Php45.44 million in 2011. General and administrative expenses also went up by 225%, from Php2.03 million in 2010 to Php6.3 million in 2011.

Net Income

The twelve-month operation of the Company ended with a net income of Php8.95 million in 2011, compared to the Php0.58 million posted in 2010.

Financial Condition

Statements of financial position data	December 31, 2011	December 31, 2010	% Inc/ (Dec)
Total Current Assets	69,302,215	14,835,432	367.14%
Total Assets	337,513,257	114,084,093	195.85%
Total Current Liabilities	314,525,872	101,576,072	209.65%
Total Liabilities	314,622,928	101,576,072	209.65%
Total Stockholders' Equity	22,890,329	12,508,021	83.01%

The material changes in the statements of financial position are as follows:

Total assets of the Company went up by 367.14% from Php14.84 million in 2010 to Php69.30 million in 2011

- Cash and cash equivalents increased by 298% from Php1.97 million in 2010 to Php7.85 million in 2011.

- Trade and other receivables went up by 416.73% from Php9.62 million in 2010 to Php49.71 million in 2011, due to the increase in contract services the company entered into during the year.
- Other current assets rose by 262.34% from Php3.24 million in 2010 to Php11.74 million in 2011 due to increases in input VAT and prepaid taxes.
- Noncurrent assets increased by 170.23% from Php99.25 million in 2010 to Php268.21 million in 2011. The increase is largely attributable to the acquisition of property and equipment.

Total liabilities increased by 209.65%, from Php101.58 million in 2010 to Php314.62 million in 2011, mainly due to increases in payables to related parties, accrued expenses and other current liabilities.

Total stockholders' equity went up by 83% from Php12.51 million in 2010 to Php22.89 million in 2011.

Current ratio improved from .15x in 2010 to .22x in 2011 while net working capital in 2011 stood at a negative balance of Php245.23 million as compared to a negative balance of only Php86.74 million in 2010.

Liquidity and Capital Resource

For the year ended December 31, 2011, net cash provided by operations amounted to Php206.59 million as compared to Php4.7 million in 2010. The increase is attributed to the increase in due related parties of Php135.62 million, trade and other payables of Php75.28 million as well as the increase in receivables of Php40 million and other current assets of Php8.5 million.

Net cash used in investing activities amounted to Php200 million in 2011 for the acquisition of property and equipment as compared to only Php2.96 million in 2010.

Key Performance Indicators

Since the company is not in commercial operations, its key performance indicators are as follows:

KPI	Calculation	December 31, 2013	December 31, 2012	December 31, 2011
Current Ratio (1)	Current Assets/Current Liabilities	1.78x	0.56x	0.22x
Quick Ratio (2)	Cash /Current Liabilities	0.11x	0.13x	0.02
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.45x	5.43x	13.74x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.03	0.77	0.12
Net Income per Share (5)	Net Loss/Weighted Average Number of Shares Outstanding	0.09	0.29	0.05

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
(1) Current Ratio	568,709,220/319,895,106	443,433,023/791,305,889	69,302,215/314,525,872
(2) Quick Ratio	35,236,582/319,895,106	103,697,115/791,305,889	7,854,448/314,525,872
(3) Debt to Equity	320,070,974/713,863,399	791,451,505/145,829,421	314,622,928/22,890,330
(4) Book Value/Share	713,863,399/690,000,000	145,829,421/190,000,000	22,890,330/190,000,000
(5) Net Income per Share	41,532,369/469,452,055	54,197,789/190,000,000	8,952,168/190,000,000

The Current Ratio is a general and quick measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is also known as the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company.

Book Value per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities then divide that total by the number of common shares outstanding.

Net Income per Share is computed by dividing the net income by the weighted average number of common shares outstanding.

No disclosures nor discussions were made for the following since these did not affect the past and present operations nor the foreseeable future operations of the Company: (a) default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; (b) any significant amount of the Company's trade payables which has not been paid within the stated terms; (c) any significant purchase commitment for capital expenditures; (d) any seasonal aspects that have material effect on the financial condition or results of operations; (e) any known trends, events or uncertainties that have had or will have an impact on net sales or revenues.

Item 7. Financial Statements

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

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosure.

Audit and Audit-Related Fees

MIC paid its auditors the following fees for the last two years for professional services rendered, exclusive of VAT and out of pocket expenses:

Year	Audit Fees	Tax Fees	All Other Fees
2013	Php 450,000.00	-	-
2012	100,000.00	-	-

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

a. Incumbent Directors and Executive Officers.

The Corporation's Articles of Incorporation provide for a seven seat Board of Directors. The following is the list of the members of the Board:

Name	Position	Age	Citizenship
Isabelita P. Mercado	Chairman/President	64	Filipino
Alfredo P. Javellana II	Independent Director	68	Filipino
Gener T. Mendoza	Director	56	Filipino
William D. Ty	Independent Director	69	Filipino
Antonio Victoriano F. Gregorio III	Director	40	Filipino
Francis Neil P. Mercado	Director/Treasurer	34	Filipino
Joseph Quintin Y. Lao	Director	31	Filipino

The following is a list of the Corporation's key executive officers as of the date of this report:

Name	Position	Age	Citizenship
Isabelita P. Mercado	President	64	Filipino
Francisc Neil P. Mercado	Treasurer	34	Filipino
Ana Maria A. Katigbak	Corporate Secretary	45	Filipino

b. Term of office.

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

Of the seven members of the Board, Messrs. Gener T. Mendoza, William D. Ty and Ms. Isabelita P. Mercado have been directors of the Corporation since July, 2007. Atty. Antonio F. Gregorio III has been a director since July, 2011, while Mr. Francis P. Mercado and Mr. Joseph Quintin Y. Lao have been directors since May, 2012. Atty. Alfredo P. Javellana II has been a director since July, 2012. As regards the executive officers, Ms. Isabelita P. Mercado has been President since September, 2013, Atty. Maria Ana Katigbak has been Corporate Secretary since July, 2007, and Mr. Francis Neil P. Mercado has been Treasurer since September, 2013.

c. Business experience of the Directors and Officers during the past five (5) years.

ISABELITA P. MERCADO, 64 years old, for the past five years has been the chair and chief executive officer of IPM Construction and Development Corporation (1991 to present), IPM Environment Services Inc. (2003 to present), IPM Realty & Development Corporation (1991 to present), IPM Trading and Development Corporation (1989 to present) and TRX Global Corporation (2008 to present). She also serves as president of Lee Gardens Property and Development Corporation (1997 to present) and director of several other companies within the IPM Group.

ALFREDO P. JAVELLANA II, 68 years old, is an independent director of USB Securities Phil. Inc. Mr. Javellana earned his Bachelor of Science in Commerce Major in Accounting and Bachelor of Laws from the University of San Agustin, Iloilo City. He was an independent director of UBS Securities Philippines, Inc. from December 16, 2009 to February 10, 2010. For the past five years he was a director of Philippine Savings Bank and Toyota Motor Philippines. Previously, he was the Chief Finance Officer of the Metropolitan Bank & Trust Company, Inc. likewise held several other positions in the same bank prior to his appointment as CFO.

GENER T. MENDOZA, 56 years old, is co-founder and president of GNCA Holdings, Inc. and The Structured Financial Group Inc. For several years now, he has served as rehabilitation receiver for Pryce Gases Inc. (2002 to present). He is also the receiver of Pryce Corporation (2004 to present) and Pacific Activated Carbon Company Inc. (2011 to present). He was recently appointed as liquidator of Universal Rightfield Property Holdings, Inc. (2012 to present). He was appointed as assignee (in insolvency) of Magellan Cogeneration Inc. (2009 to present), rehabilitation receiver for five (5) property holding companies owned by Lehman Brothers Holdings Asia Ltd. (2008 to present) and receiver of Premium Agro-vet Products Inc. /Premium Laboratories Inc. (2009 to present). Previously, he was a principal at SyCip Gorres & Co. (1983 to 1991), vice president for corporate finance of Kuok Phil. Properties Inc. (1994 to 1996) and executive vice president of Crown Equities Inc. (1996). Mr. Mendoza earned his MBA from the Harvard Business School and his bachelor of science in management engineering (summa cum laude) from the Ateneo de Manila University.

WILLIAM D. TY, 69 years old, for the past five years has been the chair and president of WAM Realty and Development Corporation (1986-present), WAM Food and Development Corporation (1978-present), Wellington Investment Manufacturing Corporation (2000-present), and Toyota Cubao Inc. (1999-present). Apart from his business affiliations and interests, Mr. Ty also serves as a regular director of Organizational Change Consultants International Inc. (1995-present) and the Alicia Tan Ty Foundation (1994-present).

ANTONIO VICTORIANO F. GREGORIO III, 40 years old, Mr. Gregorio graduated with a Juris Doctor from the Ateneo de Manila University Second Honors in 1998 and passed the bar examinations in 1999. He also has a Bachelor of Science Major in Management Engineering and a Bachelor of Arts, Major in Economics-Honors, both from the Ateneo de Manila University, with a standing of magna cum laude. He was valedictorian of his high school class in the Ateneo. Atty. Gregorio is a Partner at Gregorio Law Offices and sits as director and officer of various public and private companies, including Lodestar Investments Holdings Corporation (Corporate Secretary and Assistant Corporate Information Officer, 2008 to present), Abacus Consolidated Resources and Holdings, Inc., AGP Industrial Corporation (Chairman), Active Earnings, Inc. (Corporate Secretary, 2003 to present), Tajima Yakiniku, Inc. (Corporate Secretary, 2005 to present), Tanba Yakiniku, Inc. (Corporate

Secretary and Treasurer), Big Herald Link International Corporation (Corporate Secretary and Treasurer, 2004 to present), Pride Development Bank Corporation, among other companies.

FRANCIS-NEIL P. MERCADO, 34 years old, graduated with a Bachelor of Science degree in Economics and Finance from Southern New Hampshire University, Manchester, New England, USA in 2003. He also completed his Bachelor of Science in Economics from Nottingham University, United Kingdom in 2001 and Foundation Levels from Bellerby's College, Cambridge, United Kingdom. He sits as director and/or officer of various companies' including Metro luxury Mining Corp. (2009 to present), Zinith Mines Inc. (2009-present), IPM Construction and Development Corp. (2007-present), IPM Realty and Development Corp. (2007-present) and IPM Trading and Development Corp. (2007-present).

JOSEPH QUINTIN Y. LAO, 31 years old, is a graduate of B.S. Commerce major in Computer Information Systems and Management from the Asia Pacific College, and B.S. International Hospitality Management with specialization in Culinary Arts from the Enderun Colleges + Alain Ducasse Formation, 1100 Campus Avenue McKinley Hill, Fort Bonifacio, Taguig. From 2004 to present, he has been the General Manager of Golden Kitchen Food Corporation. He is also the proprietor of JYL's Café located at Oriental Garden's Makati, Chino Roces, Makati City. For the past five years, he has also been the Corporate Secretary of Splendor Fortune Corporation and Splendor Realty Corporation (2007-present).

ANA MARIA A. KATIGBAK, 45 years old, is a member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws at the University of the Philippines. She is a Partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices. For the past five years, she has served as assistant corporate secretary in certain publicly-listed companies such as: Marcventures Holdings, Inc., Boulevard Holdings, Inc., Premiere Entertainment Philippines, Inc., Mabuhay Holdings Corp., Paxys, Inc., Energy Development Corp., and Solid Group, Inc.

d. The names and nationalities of the incorporators of the Company are as follows:

Name	Nationality
Tony O. King	Filipino
Pacita K. Yap	Filipino
Felisa D. King	Filipino
Alberto Ty	Filipino
Joselyn C. Tiu	Filipino

(2) SIGNIFICANT EMPLOYEES

There are no employees identified for disclosure to which the operational decisions and strategies of the Company are entirely dependent on.

(3) FAMILY RELATIONSHIP

Ms. Isabelita P. Mercado is the mother of Mr. Francis Neil P. Mercado. Apart from the foregoing, there are no other family relationships, either by consanguinity or affinity, among the directors and executive officers of the Corporation.

(4) RESIGNATION/RE-ELECTION

Since the last annual stockholders' meeting of the Corporation, no Director has resigned or declined to stand for reelection to the Board of Directors of the Corporation because of disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practice.

(5) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS DURING THE PAST 5 YEARS

The Company is not aware of any civil or criminal legal proceedings filed against any one of its directors, executive officers or control persons during the last five (5) years up to present.

Item 10. Executive Compensation

(1) COMPENSATION TABLE

The following is a summary of the aggregate compensation paid or accrued during the last two fiscal years, i.e. 2013 and 2012, to the Company's Chief Executive Officer and other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
Isabelita P. Mercado <i>Chairman and President</i>	2013 - Jan to Dec 31			
	2012 - Jan to Dec 31			
Alfredo P. Javellana II <i>Independent Director</i>	2013 - Jan to Dec 31			
	2012 - Jul to Dec 31			
Gener T. Mendoza <i>Director</i>	2013 - Jan to Dec 31			
	2012 - Jan to Dec 31			
William D. Ty <i>Independent Director</i>	2013 - Jan to Dec 31			
	2012 - Jan to Dec 31			
Antonio Victoriano F. Gregorio III <i>Director</i>	2013 - Jan to Dec 31			
	2012 - Jan to Dec 31			
Francis Neil P. Mercado <i>Director and Treasurer</i>	2013 - Jan to Dec 31			
	2012 - May to Dec 31			
Joseph Quintin Y. Lao <i>Director</i>	2013 - Jan to Dec 31			
	2012 - May to Dec 31			
TOTAL OF THE GROUP	2012	0		
	2013	0		

In May 23, 2012, the Board of Directors approved the grant of per diem to members of the Board of Directors, for every attendance at regular meetings of the board. The *per diem* are as follows: (i) Chairman of the Board Php20,000.00, (ii) Regular Directors Php10,000.00, and (iii) Independent Directors Php10,000.00.

There is no contract covering their employment with the Corporation and they hold office by virtue of their election to office. The Corporation has no agreements with its named executive officers regarding any bonus, profit sharing, pension or retirement plan.

(2) COMPENSATION OF DIRECTORS

a. Standard Arrangements

The Parent Company provided standard compensatory arrangements with its Directors and Officers prior to August 31, 2007. They are provided fixed monthly fees until June 2005. The incumbent directors do not receive any compensation for their services.

b. Other Arrangements

None executed for the last five-years of operations other than the above-mentioned standard arrangements.

(3) EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN CONTROL ARRANGEMENTS

None executed by the Company for the last three years of operations

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2013, the record and/or beneficial owners of more than 5% of the outstanding common shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	PCD Nominee Corporation	The beneficial owners of such shares are Philippine Depository & Trust Corporation (PDTC) participants who hold the shares on their behalf or on behalf of their clients	Filipino	668,949,074	96.949%

Below is the list of the record owners under PCD account holding more than 5% of the outstanding capital stock of the Corporation:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Citizenship	Number of Shares Held	Percent of Class
Common	MBTC – Trust Banking Group Metrobank Plaza, Sen. Gil Puyat Avenue, Makati City	Filipino	500,000,000	74.443%
Common	Meridian Securities, Inc. Suite 2702 B&C Tektite Tower 1 Ortigas Centre, Pasig City	Filipino	52,395,800	7.800%

The above brokers are only record owners of shares of stock held under the name of PCD Nominee Corp., thus they exercise no voting power over the shares.

As of December 31, 2013, the foreign ownership level of MIC is 2,778,202 shares or equivalent to 4026 %.

(2) Security Ownership of Management

The table sets forth as of December 31, 2013, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Isabelita P. Mercado <i>Chairman and President</i>	1,000,000 (Direct) 500,000 Indirect)	Filipino	0.21739%
Common	Alfredo P. Javellana II <i>Independent Director</i>	1,000 (Direct) 179,000 (Indirect)	Filipino	0.2608%
Common	Gener T. Mendoza <i>Director</i>	1,855,000 (Direct)	Filipino	0.26884%
Common	Antonio Victoriano F. Gregorio III <i>Director</i>	1,000 (Direct)	Filipino	0.00014%
Common	William D. Ty <i>Independent Director</i>	2,000,000 (Direct)	Filipino	0.289986%
Common	Francis Neil P. Mercado <i>Director and Treasurer</i>	2,000 (Direct)	Filipino	0.00029%
Common	Joseph Quintin Y. Lao <i>Director</i>	100,000 (Direct) 5,441,300 Indirect)	Filipino	0.80308%
Common	Ana Maria A. Katigbak <i>Corporate Secretary</i>	0	Filipino	0 %
	TOTAL	11,079,300		1.60570%

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

(3) Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

(4) Changes in Control

The Securities and Exchange Commission approved the Corporation's increase in authorized capital stock from Php 240,000,000 to Php 740,000,000 divided into 740,000,000 shares with a par value of Php 1.00 each share on June 11, 2013. The IPM group of companies subscribed to the 500,000,000 new common shares issued by the Corporation. The stock certificates representing 500,000,000 new common shares was issued in favor of the IPM group of companies on June 19, 2013 following payment of the corresponding documentary stamp taxes on the original issuance of such shares. The

IPM group of companies now own approximately 72.46% of the resulting outstanding capital stock of the Corporation, thereby acquiring control of the Corporation.

Item 12. Certain Relationships and Related Transactions

Except as disclosed in Note 15 of the audited consolidated financial statements for 2013 and 2012, there were no other transactions entered into with related parties.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Minerales Industrias Corporation (Formerly Multitech Investments Corporation) is fully committed in maintaining a high standard of corporate governance to protect the interest of its shareholders. It has complied throughout the period under review with the applicable principles and provisions set out in the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, series of 2009) and the Company's 2011 Revised Manual on Corporate Governance. The Company has not deviated from its own Revised Manual on Corporate Governance.

The Company also continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Company and its stockholders, need further improvement. The same is being done by participating in the corporate governance survey of the Philippine Stock Exchange, Inc. The Company will put in place a more comprehensive system to ensure compliance with leading corporate governance practices as soon as its business becomes fully operational.

Board of Directors

The Board of Directors consists of 7 directors, two of whom are executive officers and five are non-executive directors. The Board's membership reflects a blend of different financial and commercial experiences.

Directors	Executive Officers	Non-executive Officers	Independent Director
Alfredo P. Javellana II		√	√
Gener T. Mendoza		√	
Antonio Victoriano F. Gregorio III		√	
Isabelita P. Mercado	√		
William D. Ty			√
Francis Neil P. Mercado	√		
Joseph Quintin Y. Lao		√	

All non-executive officers are independent of management and free from any business or other relationship with MIC which could materially interfere with the exercise of their independent judgment.

The Nomination Committee ensures that there is a formal and transparent procedure for the appointment of new Directors of the Board. Where appropriate, every director receives training, taking into account his individual qualifications and experience. Training is also available on an ongoing basis to meet individual needs.

The term of office of all directors, including independent directors and officers shall be one (1) year and until the successors are duly elected and qualified.

Board Process

Members of the Board met regularly throughout the year. Their responsibilities to the Company included the:

- a. review and approval of the interim and annual financial performance;
- b. approval of the Company's key strategic and operational matters;
- c. approval of major investments and funding decision;
- c. monitoring of internal control; and
- e. identification and management of the principal risks of the Company.

Board members were sufficiently notified of ensuing meetings and they worked on an agreed agenda in reviewing the key activities of the business. Relevant papers and presentations, as necessary, were distributed to enable the Board to deliberate on matters effectively. Minutes of the previous meetings are placed on the agenda of the Board.

The Corporate Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures. The post is currently occupied by Atty. Ana Maria A. Katigbak.

Committees

The Board has delegated authority to the following committees on specific matters. All of the Committee have formal terms of reference.

Audit Committee

Members:

- o Atty. Alfredo P. Javellana II (chairman/independent director)
- o William D. Ty (independent director)
- o Francis-Neil P. Mercado

The Audit Committee functions under the terms of reference approved by the Board. It meets at least twice a year and its roles include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary. The Audit Committee reports directly to the Board.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees.

Nomination Committee and Compensation Committee

Members:

- o Gener T. Mendoza (chairman)
- o Atty. Antonio Victoriano F. Gregorio III
- o Joseph Quintin Y. Lao
- o William D. Ty (independent director)

The Committee, which meets as necessary, assesses and recommends to the Board candidates for appointment to executive and non-executive directors positions. The Committee also makes recommendations to the Board on its composition.

Note: No salary or other compensation package was provided to the directors and other Executive Officers.

Compliance Officer

During the meeting of the Board of Directors of Minerales Industrias Corporation held on September 19, 2013, Atty. Ana Maria A. Katigbak was re-appointed as Compliance Officer ("CO") and Mr. Roberto E. Cabarco as Deputy Corporate Information Officer. He was also designated as the Company's Compliance Officer.

The CO is responsible for ensuring that the Company's corporate principles are consistently adhered to throughout the organization. The CO acts independently and her role is to supply the top management with the necessary information on whether the organization's decisions comply with professional rules and regulations, internal directives, regulatory authorities, and the statutory law.

Relation with Shareholders

The directors place a high importance on maintaining good relationships with the shareholders and ensure that they are kept informed of significant Company's development.

The Company encourages shareholders to attend its annual stockholders' meetings, which provide opportunities for shareholders to ask questions of the board.

PART V – EXHIBIT AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The Audited Consolidated Financial Statements ending December 31, 2013 are herein attached and incorporated by reference.

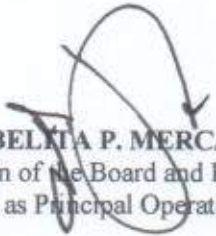
(b) Reports on SEC Form 17-C. The following are the reports filed by the Company on SEC Form 17-C for the year 2013.


Date of Report	Description
January 24, 2013	Summary of attendance of board of directors for the year 2012
February 12, 2013	Results of special stockholders' meeting dated February 8, 2013
March 6, 2013	Signing of Subscription Agreement with BEST
March 30, 2013	Submission of Corporate Governance Guidelines
April 30, 2013	Postponement of the annual stockholders' meeting
June 13, 2013	SEC approved the application for increase in authorized capital stock
July 15, 2013	Clarification on Inquirer-Net Article
July 24, 2013	Results of Board meeting dated July 18, 2013
August 2, 2013	Notification of venue of the annual stockholders' meeting
August 16, 2013	List of stockholders as of record date August 5, 2013
September 24, 2013	Results of annual stockholders' meeting dated Sept. 19, 2013
October 11, 2013	Certification of independent directors
October 16, 2013	Top 100 stockholders as of September 30, 2013
October 16, 2013	Public ownership report as of September 30, 2013
October 23, 2013	SEC approved the amendment of Articles of Incorporation changing the place of principal office

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April _____, 2014

By:


ISABELITA P. MERCADO
Chairman of the Board and President
(also acting as Principal Operating Officer)



FRANCIS NEIL P. MERCADO
Treasurer
(also acting as Chief Financial Officer)


ATTY. ANA MARIA A. KATIGBAK
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 30 2014, affiants exhibiting to me their Residence Certificates, as follows:

NAME	CTC No.	DATE OF ISSUE	PLACE OF ISSUE
Isabelita P. Mercado	27944009	01-07-14	Pasig City
Francis Neil P. Mercado	27944014	01-07-14	Pasig City
Ana Maria A. Katigbak			

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Series of 2014 _____


ATTY. ROBERT N. LLUZA
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225542, Jan. 02, 2014-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 6E Cityland Herrera Tower
#98 Rufino St. cor. Valero St.
Salcedo Village, Makati City

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY SCHEDULES AND
SEC FORM 17-C UNDER FORM 17-A, ITEM 7**

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements, signed under oath
Reports of Independent Public Accountants
Consolidated Statement of Financial Position as of December 31, 2013 and 2012;
Consolidated Statements of Comprehensive Income for the years December 31, 2013, 2012 and 2011
Consolidated Statements of Changes in Equity for the years December 31, 2013, 2012 and 2011
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011.

Notes to Consolidated Financial Statements

Parent Financial Statements

Notes to Parent Financial Statements

Supplementary Schedules

Report of Independent Public Accountants on Supplementary Schedules

- A. Financial Assets (e.g. Loans and Receivables, Fair Value Through Profit or loss, Held to Maturity Investments, Available for Sale Securities)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- D. Intangible Assets – Other Assets
- E. Long- Term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock

Other Required Information

- 1. Reconciliation of Retained Earnings Available for Dividend Distribution
- 2. Financial Soundness Indicators
- 3. Map of the Conglomerate or Group of Companies
- 4. Schedule of All the Effective Standards and Interpretation

MINERALES INDUSTRIAS CORPORATION

Unit 103, Ground Floor, Prestige Tower Condominium
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of **Minerales Industrias Corporation and Subsidiary (the "Group")** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed under oath by the following:


ISABELITA P. MERCADO
Chairman of the Board/President
(Also acting as Chief Executive Officer)



FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

Signed this 10th day of April, 2014

SUBSCRIBED AND SWORN to before me this APR 30 2014, affiants exhibiting to me their Residence Certificates, as follows:

<u>Name</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Isabelita P. Mercado	27944009	Jan. 7, 2014	Pasig City
Francis Neil P. Mercado	27944014	Jan. 7, 2014	Pasig City

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Series of 2014


ATTY. ROBERT N. LLUZA
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44, Makati City
IBP #942830, Nov. 12, 2013-RSM
PTR #4225542, Jan. 02, 2014-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 6E Cityland Herrera Tower
#98 Rufino St. cor. Valero St.
Salcedo Village, Makati City

COVER SHEET

A S 0 9 5 - 0 0 8 5 5 7

SEC Registration Number

M I N E R A L E S I N D U S T R I A S C O R P O R A T I O N
A N D S U B S I D I A R Y

(Company's Full Name)

U n i t 1 0 3 , G r o u n d F l o o r , P r e s t i g e
T o w e r C o n d o m i n i u m , F . O r t i g a s J r .
A v e n u e , O r t i g a s C e n t e r , P a s i g C i t
y

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

Ana Maria Katigbak

(Contact Person)

817-6791 / 897-5257

(Company Telephone Number)

1 2 3 1

Month Day
(Fiscal Year)

A A C F S

(Form Type)

4th Wed of May

Month Day
(Annual Meeting)

[]

(Secondary License Type, If Applicable)

[]

Dept. Requiring this Doc.

[]

Amended Articles Number/Section

[]

Total No. of Stockholders

[]

Domestic

[]

Foreign

To be accomplished by SEC Personnel concerned

[]

File Number

_____ LCU

[]

Document ID

_____ Cashier

S T A M P S

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Minerales Industrias Corporation
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Minerales Industrias Corporation and Subsidiary (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



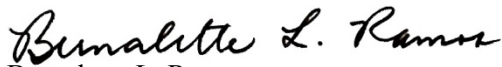
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minerales Industrials Corporation and Subsidiary as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group as at and for the years ended December 31, 2012 and 2011 were not audited by us. We were not engaged to audit, review or apply any procedures in the 2012 and 2011 consolidated financial statements of the Group and, accordingly, we do not express an opinion or any other form of assurance thereon.

SYCIP GORRES VELAYO & CO.



Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),

April 15, 2013, valid until April 14, 2016

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-081-2012,

June 19, 2012, valid until June 18, 2015

PTR No. 4225205, January 2, 2014, Makati City

April 10, 2014



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Figures for 2012)

	December 31		January 1
	2012	2012	2012
	(As restated - Note 2)	(As restated - Note 2)	(As restated - Note 2)
	2013	(Unaudited)	(Unaudited)
ASSETS			
Current Assets			
Cash (Notes 4 and 22)	₱35,236,582	₱103,697,115	₱7,854,448
Receivables (Notes 5 and 22)	407,583,764	209,978,301	49,710,788
Due from a related party (Notes 15 and 22)	266,960	-	-
Short-term deposits (Notes 6, 13 and 22)	101,219,867	100,000,000	-
Other current assets (Note 7)	24,402,047	29,757,606	11,736,979
Total Current Assets	568,709,220	443,433,022	69,302,215
Noncurrent Assets			
Investments in an associate and a joint venture (Notes 8 and 24)	44,443,137	41,854,277	38,677,653
Deposits (Note 9)	3,155,365	1,455,365	1,345,365
Investment property (Note 10)	37,434,319	-	-
Property and equipment (Note 11)	380,192,331	450,538,262	228,188,024
Total Noncurrent Assets	465,225,152	493,847,904	268,211,042
Total Assets	₱1,033,934,372	₱937,280,926	₱337,513,257
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 12 and 22)	₱111,403,914	₱139,316,695	₱76,673,189
Due to related parties (Notes 15 and 22)	102,521,802	530,453,974	235,907,389
Income tax payable	5,969,390	21,535,220	1,945,294
Loans payable (Notes 13 and 22)	100,000,000	100,000,000	-
Total Current Liabilities	319,895,106	791,305,889	314,525,872
Noncurrent Liability			
Net pension liability (Notes 18 and 24)	175,868	145,616	97,056
Total Liabilities	320,070,974	791,451,505	314,622,928
Equity Attributable to Equity Holders of the Parent			
Capital stock (Note 14)	690,000,000	190,000,000	190,000,000
Retained earnings (Note 14)			
Unappropriated	69,111,315	61,034,899	6,837,110
Appropriated	14,803,219	14,803,219	14,803,219
Other reserves (Note 18)	(298,746,540)	(120,008,697)	(188,750,000)
Total Equity	475,167,994	145,829,421	22,890,329
Noncontrolling Interests			
Total Equity	238,695,404	-	-
Total Equity	713,863,398	145,829,421	22,890,329
Total Liabilities and Equity	₱1,033,934,372	₱937,280,926	₱337,513,257

See accompanying Notes to Consolidated Financial Statements



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(With Comparative Figures for 2012 and 2011)

	Years Ended December 31		
	2013	2012 (As restated - Note 2) (Unaudited)	2011 (As restated - Note 2) (Unaudited)
REVENUE			
Service income (Note 15)	₱262,499,895	₱211,925,925	₱58,436,041
Rental income (Notes 10, 15 and 21)	29,532,186	–	–
Interest income (Notes 4 and 6)	1,704,827	15,226	25,747
Equity in net earnings of an associate (Notes 8 and 24)	–	3,976,624	4,504,027
	293,736,908	215,917,775	62,965,815
EXPENSES			
Cost of services (Note 16)	167,299,355	129,675,442	45,443,686
Listing expense (Note 1)	25,221,570	–	–
General and administrative expenses (Note 17)	22,974,426	10,506,279	6,625,697
Interest expense (Note 13)	4,211,535	–	–
Equity in net losses of an associate and a joint venture (Note 8)	223,640	–	–
	219,930,526	140,181,721	52,069,383
INCOME BEFORE INCOME TAX	73,806,382	75,736,054	10,896,432
PROVISION FOR INCOME TAX (Note 19)	31,954,745	21,538,265	1,944,264
NET INCOME	41,851,637	54,197,789	8,952,168
OTHER COMPREHENSIVE LOSS			
<i>Items not to be reclassified to profit or loss:</i>			
Actuarial losses on defined benefit obligation (Note 18)	(319,269)	(8,697)	–
TOTAL COMPREHENSIVE INCOME	₱41,532,368	₱54,189,092	₱8,952,168
Net income attributable to:			
Equity holders of the parent	₱23,295,787	₱54,197,789	₱8,952,168
Noncontrolling interest	18,555,850	–	–
	₱41,851,637	₱54,197,789	₱8,952,168
Total comprehensive income attributable to:			
Equity holders of the parent	₱23,056,336	₱54,189,092	₱8,952,168
Noncontrolling interest	18,476,032	–	–
	₱41,532,368	₱54,189,092	₱8,952,168
BASIC/DILUTED EARNINGS PER SHARE			
(Note 20)	₱0.09	₱0.29	₱0.05

See accompanying Notes to Consolidated Financial Statements



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(With Comparative Figures for 2012 and 2011)

	Capital Stock (Note 14)	Retained Earnings - Unappropriated (Note 14)	Retained Earnings - Appropriated (Note 14)	Equity Reserve	Other Reserves Actuarial Losses on Defined Benefit Obligation (Note 18)	Noncontrolling Interests	Total Equity
At January 1, 2013							
As previously reported	₱190,000,000	₱51,710,899	₱14,803,219	(₱120,000,000)	₱-	₱-	₱136,514,118
Prior period adjustment (Note 24)	-	9,460,919	-	-	-	-	9,460,919
Effect of revised PAS 19 adoption (Note 2)	-	(136,919)	-	-	(8,697)	-	(145,616)
As restated	190,000,000	61,034,899	14,803,219	(120,000,000)	(8,697)	-	145,829,421
Effect of reverse acquisition (Note 2)	-	(15,219,371)	-	(178,498,391)	-	220,219,371	26,501,609
Increase in paid up capital of Parent Company	500,000,000	-	-	-	-	-	500,000,000
Net income	-	23,295,787	-	-	-	18,555,850	41,851,637
Other comprehensive loss	-	-	-	-	(239,452)	(79,817)	(319,269)
At December 31, 2013	₱690,000,000	₱69,111,315	₱14,803,219	(₱298,498,391)	(₱248,149)	₱238,695,404	₱713,863,398
At January 1, 2012							
As previously reported	₱190,000,000	₱649,871	₱14,803,219	(₱188,750,000)	₱-	₱-	₱16,703,090
Prior period adjustment (Note 24)	-	6,284,295	-	-	-	-	6,284,295
Effect of revised PAS 19 adoption (Note 2)	-	(97,056)	-	-	-	-	(97,056)
As restated	190,000,000	6,837,110	14,803,219	(188,750,000)	-	-	22,890,329
Increase in paid-up capital of Subsidiary	-	-	-	68,750,000	-	-	68,750,000
Net income	-	54,197,789	-	-	-	-	54,197,789
Other comprehensive loss	-	-	-	-	(8,697)	-	(8,697)
At December 31, 2012	₱190,000,000	₱61,034,899	₱14,803,219	(₱120,000,000)	(₱8,697)	₱-	₱145,829,421



	Capital Stock (Note 14)	Retained Earnings - Unappropriated (Note 14)	Retained Earnings - Appropriated (Note 14)	Other Reserves Equity Reserve	Actuarial Losses on Defined Benefit Obligation (Note 18)	Noncontrolling Interests	
At January 1, 2011							
As previously reported	₱190,000,000	₱407,892	₱10,500,000	(₱188,750,000)	₱-	₱-	₱12,157,892
Prior period adjustment (Note 24)	-	1,780,268	-	-	-	-	1,780,268
As restated	190,000,000	2,188,160	10,500,000	(188,750,000)	-	-	13,938,160
Net income	-	8,952,169	-	-	-	-	8,952,169
Appropriation	-	(4,303,219)	4,303,219	-	-	-	-
At December 31, 2011	₱190,000,000	₱6,837,110	₱14,803,219	(₱188,750,000)	₱-	₱-	₱22,890,329

See accompanying Notes to Consolidated Financial Statements.



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(With Comparative Figures for 2012 and 2011)

	Years Ended December 31		
	2013	2012 (As restated - Note 2) (Unaudited)	2011 (As restated - Note 2) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱73,806,382	₱75,736,054	₱10,896,432
Adjustments for:			
Depreciation and amortization (Notes 10, 11, 16 and 17)	32,938,398	33,252,492	38,022,615
Listing expense (Note 1)	25,221,570	-	-
Interest expense (Note 13)	4,211,535	-	-
Provision for impairment losses (Notes 7 and 17)	308,371	-	-
Equity in net losses (earnings) of an associate and a joint venture (Note 8)	223,640	(3,976,624)	(4,504,027)
Pension cost (Note 18)	52,912	39,863	97,056
Interest income (Notes 4 and 6)	(1,704,827)	(15,226)	(25,747)
Operating income before changes in working capital	135,057,981	105,036,559	44,486,329
Decrease (increase) in:			
Receivables	(197,605,463)	(158,457,426)	(40,087,269)
Due to a related party	(266,960)	-	-
Other current assets	5,047,188	(19,830,714)	(8,493,627)
Increase (decrease) in:			
Trade and other payables	(27,912,781)	62,643,506	75,279,557
Due to related parties	(427,932,172)	294,546,585	135,623,454
Net cash generated from (used in) operations	(513,612,207)	283,938,510	206,808,444
Interest received	1,704,827	15,226	25,747
Income tax paid	(47,520,575)	(1,948,339)	(247,605)
Contributions to plan assets (Note 18)	(341,929)	-	-
Net cash provided by (used in) operating activities	(559,769,884)	282,005,397	206,586,586
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from business combination	1,280,039	-	-
Acquisitions of property and equipment (Note 11)	(26,786)	(255,602,730)	(200,700,699)
Increase in short-term deposit (Note 6)	(1,219,867)	(100,000,000)	-
Increase in deposits (Note 9)	(1,700,000)	(110,000)	-
Investment in joint venture (Note 8)	(2,812,500)	-	-
Dividends received (Note 8)	-	800,000	-
Net cash used in investing activities	(4,479,114)	(354,912,730)	(200,700,699)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of shares of stock (Note 14)	500,000,000	68,750,000	-
Interest paid	(4,211,535)	-	-
Proceeds from bank loan (Note 13)	-	100,000,000	-
Net cash provided by financing activities	495,788,465	168,750,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,460,533)	95,842,667	5,885,887
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	103,697,115	7,854,448	1,968,561
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱35,236,582	₱103,697,115	₱7,854,448

See accompanying Notes to Consolidated Financial Statements.



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Minerales Industrias Corporation (MIC or the Parent Company) was incorporated and organized in the Republic of the Philippines on August 31, 1995 to engage in the business of investment; to own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description: and, to manage any business, joint venture, firm partnership, corporation, institution or entity or otherwise act as holding or management corporation thereof.

On December 20, 1999, the stockholders approved the increase in the authorized capital stock of the Parent Company from ₱240,000,000 divided into 240,000,000 shares with a par value of ₱1 per share to ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share. On August 31, 2007, the stockholders approved the delegation to the Board of Directors (BOD) of the prerogative to determine the investors to whom the shares may be issued amounting to an aggregate of ₱560,000,000 (₱500,000,000 coming from the increase in authorized capital stock and ₱60,000,000 from the unissued capital stock of the Parent Company). In 2010, the Parent Company issued additional 10,000,000 shares to private investors.

On July 26, 2007 and August 31, 2007, the BOD and stockholders, respectively, approved the change in primary purpose from holding to mining. The Securities and Exchange Commission (SEC) approved the change on January 14, 2008.

On November 20, 2012, the BOD approved the issuance of 500,000,000 shares at par value of ₱1 per share in favor of the following IPM group of companies: (a) IPM Construction and Development Corporation (IPMCDC), 350,000,000; (b) IPM Environmental Services, Inc. (IPMESI), 100,000,000; and (c) IPM Realty and Development Corporation (IPMRDC), 50,000,000. On the same date, the BOD authorized the acquisition of 615,000,000 shares in Basic Environmental Systems and Technologies, Inc. (BEST) at par value of ₱1 per share, which will constitute 75% of the resulting outstanding capital of BEST. Further, the Parent Company was authorized to partially pay for the 615,000,000 shares in BEST as follows: (a) ₱450,000,000 for the 600,000,000 shares that will come from the increase in authorized capital stock of BEST; and (b) ₱12,500,000 for the subscription rights to 15,000,000 shares in BEST to be acquired from the original shareholders of BEST.

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following within the IPM group of companies or any of their designees/nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock of the Parent Company previously approved by the shareholders, at a total subscription price of ₱500,000,000, payable in cash: (a) IPMCDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000. On the same date, the stockholders approved the amendment of the primary purpose of the Parent Company to enable the Parent Company to revert to being a holding company and give it more flexibility in looking for suitable investments.

On February 11, 2013 and February 12, 2013, the Parent Company received ₱50,000,000 and ₱450,000,000, respectively, as deposits for the said subscriptions to the proposed increase in the authorized capital stock of the Parent Company. Consequently, the Parent Company became a subsidiary of IPMCDC upon the deposits made as per the subscription agreement.



On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid ₱462,500,000. Subscription payable as of December 31, 2013 amounted to ₱152,500,000.

On June 11, 2013, the Securities and Exchange Commission (SEC) approved the Parent Company's application for increase in authorized capital stock from 240,000,000 to 740,000,000 shares with a par value of ₱1 per share and the amendment of the primary purpose of the Parent Company to revert to a holding company. The deposits for stock subscriptions by IPMCDC, IPMESI and IPMRDC were then transferred to common stocks following the approval of the increase in authorized capital stock.

On July 18, 2013, the BOD approved the increase in the authorized capital stock of the Parent Company from ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share to an amount not exceeding ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1 per share. On the same date, the BOD approved the transfer of the principal address of the Parent Company from Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City to its current principal address, Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue Ortigas Center, Pasig City. These were subsequently approved by the shareholders on September 19, 2013. On October 18, 2013, the SEC approved the amended articles of incorporation indicating the change of address.

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE). As of December 31, 2013, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPMCDC	51%
IPMESI	14%
IPMRDC	7%
Public	28%

IPMCDC, IPMESI and IPMRDC were all incorporated in the Philippines.

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of December 31, 2013 (see Note 14).

The Parent Company's subsidiary, BEST, is incorporated in the Philippines. BEST is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

The accompanying consolidated financial statements were authorized for issue by the Audit Committee and the BOD on April 10, 2014.

Reverse acquisition

Before MIC acquired 75% interest in BEST, majority of the shareholders of BEST are also the shareholders of IPMCDC, IPMESI and IPMRDC. Hence, MIC's acquisition of 75% interest in BEST effectively qualifies as a reverse acquisition since BEST is the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity.



Since MIC is not a business as defined in PFRS 3, *Business Combination*, paragraph B7, the transaction is not a business combination, but a share-based payment transaction whereby BEST has received the net assets of MIC together with the listing status of MIC.

The consolidated financial statements reflects the substance of the transaction which is that BEST is the continuing entity, therefore, the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in PFRS 3 should be applied in this transaction by analogy. However, the listing status does not qualify for recognition as an intangible asset, and therefore needs to be expensed in profit or loss.

Listing expense is recognized in profit or loss and equity reserve at date of acquisition. Computation of listing expense is as follows:

Fair value of BEST at acquisition date	₱650,295,426
Interest acquired by MIC	75%
	<hr/>
	487,721,570
Cash paid by MIC	462,500,000
	<hr/>
	₱25,221,570

BEST is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services and is incorporated in the Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical basis. These financial statements are presented in Philippine Peso (₱), the Parent Company and its subsidiary's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The accompanying consolidated financial statements represent the first consolidated financial statements of the Group.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with PFRS. Securities Regulation Code 68, As Amended (2011) (SRC Rule 68) requires entities covered by part II of SRC Rule 68 to prepare financial statements in accordance with PFRS.

The Group applied the accounting policies set forth in the next pages to all the years presented. The Group applied Philippine Accounting Standards (PAS) 8, *Accounting Policies, Changes in Accounting Estimates and Error*, in preparing for the retrospective restatement of the consolidated financial statements.

Basis of Consolidation

The accompanying consolidated financial statements prepared following a reverse acquisition are issued under the name of MIC (legal parent/accounting acquiree; referred herein after as the Parent Company) but is a continuation of the financial statements of BEST (legal subsidiary/accounting acquirer, referred herein as the Subsidiary). The accompanying consolidated financial statements comprise the financial statements of the Parent Company and the Subsidiary.



The consolidated financial statements are prepared based on the principles of reverse acquisition involving a non-trading shell company. The accounting acquiree is fully consolidated from the date of acquisition or incorporation, being the date on which the accounting acquirer obtains control, and continues to be consolidated until the date that such control ceases.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

NCI represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of changes in equity.

Acquisitions of NCI are accounted for using the entity concept method, whereby the Group considers the acquisition of NCI as an equity transaction. Any premium or discount on subsequent purchases from NCI shareholders is recognized directly in equity.

Assessment of Control

Control is achieved when the accounting acquirer 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.

The accounting acquirer re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of the accounting acquiree begins when the accounting acquirer obtains control over the accounting acquiree and ceases when the accounting acquirer loses control of the accounting acquiree. Assets, liabilities, income and expenses of the accounting acquiree acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the accounting acquirer gains control until the date the accounting acquirer ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the accounting acquirer and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of the accounting acquiree to bring its accounting policies in line with the accounting policies of the accounting acquirer.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2013.

PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or



‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments are to be applied retrospectively. The amendments did not impact the Group’s consolidated financial statements since it has no financial instrument that is subject to an enforceable master netting arrangement or similar arrangement. The related PFRS 7 disclosures of the Group’s financial assets and liabilities are included in Note 22.

PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The Subsidiary, as the accounting acquirer under reverse acquisition, has assessed that it has control over the Parent Company. The Parent Company issued the accompanying consolidated financial statements for 2013 in accordance with PFRS 10 under the principles of reverse acquisition involving a non-trading shell company.

PFRS 11, Joint Arrangements

This standard replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The related PFRS disclosure of the Group’s investment in joint venture is included in Note 8.

PFRS 12, Disclosures of Interests in Other Entities

PFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The adoption of PFRS 12 affects disclosures only and has no impact on the Group’s financial position and performance since there is no subsidiary controlled with less than a majority of voting rights and there are no unconsolidated structured entities. The related PFRS disclosures of the Group’s interests in an associate and a joint venture are included in Note 8.



PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has no material impact on its fair value measurements since it is already consistent with PFRS 13. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy of financial instruments is provided in Note 22.

PAS 1, Presentation of Financial Statements - Presentation of Items of OCI (Amendments)

The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The adoption of this standard has an impact on the presentation of the Group’s consolidated financial statements. The Group’s OCI represents actuarial losses on defined benefit obligation, which will not be recycled to profit or loss.

PAS 19, Employee Benefits (Revised)

On January 1, 2013, the Group adopted the Revised PAS 19. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group did not have a retirement plan for its employees. Upon adoption of the revised PAS 19 in 2013, the Group established a retirement benefit plan on 2013 and recognized retrospectively pension expenses and net pension liability.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. Changes to definition of short-term employee benefits and timing of recognition for termination benefits did not have any impact to the Group’s financial position and financial performance.



The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:		
<i>Consolidated statements of financial position:</i>		
Pension liability	₱145,616	₱97,056
Other comprehensive income	(8,679)	-
Retained earnings unappropriated	(136,919)	(97,056)
<i>Consolidated statement of income:</i>		
Pension cost in profit or loss	₱39,863	-
Profit for the year	(39,863)	-
<i>Consolidated statement of comprehensive income:</i>		
Other comprehensive income for the year	(8,679)	

PAS 27, Separate Financial Statements (as revised in 2011)

As a consequence of the issuance of the new PFRS 10, and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Group since its accounting policy is already consistent with the revised PAS 27 upon acquisition of the accounting acquiree.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The related PFRS disclosures of the Group's investments in an associate and a joint venture are presented in Note 8.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation did not have any impact on the Group's financial position or performance since it is not involved in mining activities.

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Government Loans (Amendments)

The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and



PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group since the Group is not a first-time adopter of PFRS.

Annual Improvements to PFRSs (2009 - 2011 cycle)

The *Annual Improvements to PFRSs (2009 - 2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- *PFRS 1, First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- *PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments have impact on the presentation of the consolidated financial statements of the Group since there is retrospective restatement or reclassification of items in the consolidated financial statements.
- *PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position and performance since it does not have this type of equipment.
- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment did not have an impact on the Group's consolidated financial statements since there has been no distribution of equity instruments to shareholders.



- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendments did not have an impact on the Group's consolidated financial statements since it is already consistent with the requirements of PAS 34. The related disclosures on segment information are provided in Note 23.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective.

Effective 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments will not have impact on the Group's consolidated financial statements since it does not have any goodwill allocated to a CGU or intangible asset with an indefinite useful life.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments will not have any impact on the Group's consolidated financial statements since the Subsidiary would not qualify as investment entity under PFRS 10.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The interpretation will not have any impact on the consolidated financial statements of the Group since it has no levies.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The interpretation will not have an impact on the Group's financial position or performance since it has no hedging instrument.



- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments will not have an impact on the Group’s financial position or performance since it does not offset its financial instruments.

Effective 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will have no impact on the Group’s financial position or performance since it has no contributions to defined benefit plans from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs (2010-2012 cycle)* contain non-urgent but necessary amendments to the following standards:

Effective 2015

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments’ Assets to the Entity’s Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide



reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance since the Group's property and equipment is carried at cost.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Group of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance. Related party disclosures are provided in Note 15.
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.



- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Group's financial position or performance since it has no intangible assets.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements to PFRSs (2011-2013 cycle)* contain non-urgent but necessary amendments to the following standards:

Effective 2015

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of ‘Effective PFRSs’*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. This amendment is not applicable to the Group since it is not a joint arrangement.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance since it does not apply the portfolio exception.
- PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Group will consider the amendment for future business combinations, if any.



No effective date yet

- PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no effect on the Group's classification and measurement of financial instruments since it has no investment classified as FVPL or carried at amortized cost.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group since it is not involved in the construction of real estate.



Cash and Cash Equivalents

Cash includes cash on hand and deposits held on demand with banks that are carried in the consolidated statement of financial position at face amount and earn interest based on the prevailing bank deposit rates. Cash equivalents are short term, highly liquid investments that are already convertible to known amounts of cash with maturities of three months or less from the date of placement and are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2013 and 2012, the Group has no financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' profit or loss) in profit or loss unless it qualifies for recognition as some type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized as



“Provision for impairment losses” in profit or loss. This accounting policy relates to the consolidated statement of financial position captions “Cash and cash equivalents”, “Receivables”, “Short-term deposits” and “Due from a related party”.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. This accounting policy applies primarily to the Group’s “Trade and other payables”, “Due to related parties”, “Loans payable” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

Offsetting of Financial Instruments

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

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.



If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss during the period in which it arises.

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

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired loans and receivables are derecognized when they are assessed as uncollectible.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with the changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimate and actual loss experience.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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



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

Financial liability

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

Fair Value

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 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 assets or liability, assuming that market participants act in their economic best interest.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; and

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

Financial instruments

The fair values for financial instruments traded in active markets at the reporting date are based on their quoted market prices, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.



For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

Nonfinancial asset

Fair value measurement of nonfinancial 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.

Other Current Assets

Other current assets represent expenses not yet incurred but already paid in advance. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit and loss as the benefits are consumed in operations or expired with the passage of time.

Deposits

Deposits represent deposits to a government agency as a surety bond which is measured at cost.

Investments in an Associate and a Joint Venture

Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

A joint venture is an entity, not being a subsidiary or an associate, in which the Group exercises joint control together with one or more venturers. Investments in an associate and a joint venture are accounted for under the equity method of accounting.

Under the equity method, the investments in associate and joint venture are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less dividends declared and impairment in value. If the Group's share of losses of an associate and joint venture equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. The interest in an associate and a joint venture is the carrying amount of the investment in the associate and joint venture under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate and joint venture. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investments in the associate and joint venture. The consolidated statement of income reflects the Group's share in the results of operations of its associate and joint venture. This is included in the "Equity in net earnings of an associate and a joint venture" account in the consolidated statement of income. After the Group's interest is reduced to zero, additional losses are provided to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture.

When there has been a change recognized directly in the equity of the associate and joint venture, the Group recognizes its share of any change and discloses this, when applicable, in the consolidated statement of changes in equity.



The reporting dates of the associate, joint venture and the Group are identical and the accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Unrealized gains arising from intercompany transactions with its associate and joint venture are eliminated to the extent of the Group's interest in the associate and joint venture. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at fair value. Any difference between the carrying amount of the associate and joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Investment Property

Property held for long-term rental and/or capital appreciation are classified as investment property. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost, less any accumulated depreciation and amortization and any accumulated impairment in value.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development.

Depreciation of investment property is computed using the straight-line method over the estimated useful life of 35 years.

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when such cost is incurred if the recognition criteria are met.

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

	Years
Building	35
Building improvements	5
Development costs	5 to 15
Transportation equipment	5 to 10
Office equipment	2 to 5



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

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Nonfinancial Asset

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Investments in an associate and a joint venture

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in profit or loss.

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.



Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Group, net of any dividend distribution.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Regardless of when the payment is being made, revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Service income

Service income is recognized when services are rendered and when payments are received from customers. Service income is recorded when billings are sent to the customers.

Rental income

The Group leases out office spaces under cancellable operating leases. Rental income arising on investment property is recognized as income in profit or loss based on the terms of the operating leases.

Interest income

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

Costs and Expenses

Cost and expenses, are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in Group's equity, other than those relating to distributions to stockholders. Cost and expenses, which includes general and administrative expenses, are recognized when incurred.

Cost of services

Cost of services include costs relating directly to a specific contract, costs that are attributable to a contract activity in general and can be allocated to the contract and other costs that can be charged to the customer under the contract.

General and administrative expenses

General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

Leases

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

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



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

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

Group as a lessor

Lease of assets under which the Group effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an income on a straight-line basis over the lease term.

Retirement Cost

The Group, through the Subsidiary, has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement costs comprise the following:

- (a) Service costs
- (b) Net interest on the net defined benefit liability or asset
- (c) Remeasurements of net defined benefit liability or asset

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

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

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in OCI under "Actuarial gains/losses on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit or loss in subsequent periods.

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



The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include compensation, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

Value-added tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.



The net amount of tax recoverable from the tax authority is included as part of “Other current assets” in the Group’s statement of financial position.

Operating Segment

The Group’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 23.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

Contingencies

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

Basic/Diluted Earnings Per Share (EPS)

EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares issued and outstanding during the year, with retroactive adjustments for any stock dividends declared.

Dividend Distribution

Dividend distributions to the stockholders are recognized in the financial statements in the period in which the dividends are approved by the BOD.

The Group has not declared cash or stock dividends in 2013, 2012 and 2011.

Events After the Reporting Date

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

3. Significant Accounting Judgments and Use of Estimates

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



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

Judgments

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

Assessment of control

The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. 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. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies.

In identifying the accounting acquirer of the Group, the key determinant considered is the power to govern the financial and operating policies of the other so as to obtain benefits from its activities. BEST is the combining entity whose owners as a group received the largest portion of the voting rights in the Group, hence, is regarded as the accounting acquirer.

Functional currency

The Group determined its functional currency to be the Philippine Peso. The determination of functional currency was based on the primary economic environment in which the Group generates and expends cash.

Distinction between investment properties and owner-managed properties

The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity or for capital appreciation. The disclosures on the Group's investment property and property and equipment are presented in Notes 10 and 11.

Operating lease - Group as lessor

The Group has entered into a commercial property lease related to its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating lease.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are discussed below:

Allowance for doubtful accounts

The Group maintains allowance for doubtful accounts on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of



receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts on receivables would increase the Group's recorded expenses and decrease current assets. The carrying values of receivables are disclosed in Note 5.

Estimated useful lives of investment property and property and equipment

The useful life of each of the Group's items of investment property and property and equipment 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, internal technical evaluation and experience with similar assets. The estimated useful life of each item of investment property and property and equipment is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any investment property and property and equipment would increase the recorded general and administrative expenses and decrease non-current assets. The carrying values of investment property and property and equipment are disclosed in Notes 10 and 11, respectively.

Impairment of non-financial assets

The Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

This requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

As of December 31, 2013 and 2012 and January 1, 2012, the Group did not recognize any impairment loss on its nonfinancial assets. The carrying values of investments in an associate and a joint venture, investment property, and property and equipment are disclosed in Notes 8, 10 and 11, respectively.

Retirement benefits

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

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.



Further details about the assumptions used are provided in Note 18.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are 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. Please refer to Note 22 for the related balances.

Recoverability of deferred tax assets

The Group's assessment on the recognition of deferred tax assets on non-deductible temporary differences and carryforward benefit of NOLCO is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. The amount of unrecognized deferred tax assets is disclosed in Note 19.

4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	₱60,184	₱35,000
Cash in banks	5,115,690	103,662,115
Cash equivalents	30,060,708	-
	₱35,236,582	₱103,697,115

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents have original maturities of three months or less from dates of placement and earned interest of 1% per annum in 2013.

Interest earned on cash and cash equivalents amounted to ₱179,993, ₱15,226 and ₱25,747 in 2013, 2012 and 2011, respectively.



5. Receivables

This account consists of:

	2013	2012
Trade receivables		
Related parties (Note 15)	₱380,367,901	₱191,109,694
Government	18,712,849	17,058,520
Private entities	5,660,037	-
	404,740,787	208,168,214
Advances to suppliers	2,653,799	1,744,437
Advances to officers and employees	189,178	65,650
Others	1,066,172	-
	408,649,936	209,978,301
Less allowance for impairment losses	1,066,172	-
	₱407,583,764	₱209,978,301

Trade receivables pertain to receivables from services rendered and rental of equipment earned by BEST in the ordinary course of business operations. Trade receivables are noninterest-bearing and collectible within one year.

Allowance for impairment losses pertains to long-outstanding receivables of the Parent Company which were specifically identified as impaired. There was no provision recognized in profit or loss in relation to the impairment loss as this is an effect of the business combination.

6. Short-Term Deposit

This account pertains to the Group's short-term deposit made by BEST with Metropolitan Bank & Trust Company (MBTC) amounting to ₱100,000,000 in relation to the back-to-back loan credit accommodation obtained by BEST from MBTC on December 28, 2012. This deposit, including the accrued interest, is restricted and can be withdrawn, transferred or encumbered only with a written consent of the Bank, unless the loans or any part thereof, including interest and other charges thereon, shall have been fully paid or discharged.

The movement in the short-term deposit during the year amounting to ₱1,219,867 pertains to the interest income earned, net of 20% final tax.

Interest income on the short-term deposit amounted to ₱1,524,834 in 2013. No interest income was earned in 2012.

On March 21, 2014, BEST paid the loan from MBTC using the short-term deposit (see Note 13).



7. Other Current Assets

This account consists of:

	2013	2012
Input VAT	P22,836,566	P17,064,162
Prepaid taxes	4,599,910	12,687,776
Creditable withholding taxes	1,137,430	-
Prepaid insurance	87,429	-
Prepaid rent	90,000	-
Miscellaneous deposits	15,669	5,669
	28,767,004	29,757,607
Less allowance for impairment losses	4,364,957	-
	P24,402,047	P29,757,607

The movements in allowance for impairment losses follow:

	2013	2012
Balance at beginning of year	P-	P-
Effect of business combination	4,056,586	-
Provision for impairment losses during the year	308,371	-
Balance at end of year	P4,364,957	P-

MIC provided an allowance for impairment on its prepaid taxes, creditable withholding tax and input VAT amounting to P4,364,957 and P4,056,586 as of December 31, 2013 and 2012, respectively, due to low probability that these assets may be utilized in the future.

8. Investments in an Associate and a Joint Venture - at equity

This account consists of:

	2013	2012	2011
Acquisition cost	P35,205,858	P32,393,358	P32,393,358
Accumulated share in net earnings:			
Balance at beginning of year	9,460,919	6,284,295	1,780,268
Equity in net earnings of associate and joint venture	(223,640)	3,976,624	4,504,027
Dividend received	-	(800,000)	-
	9,237,279	9,460,919	6,284,295
	P44,443,137	P41,854,277	P38,677,653



The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of December 31, 2013, 2012 and 2011 follow:

	Associate			Joint Venture		
	Metroclark Waste Management Corporation (MWMC)			Ecoedge Resources Corporation (ERC)		
	2013	2012	2011	2013	2012	2011
Investments	₱32,393,358	₱32,393,358	₱32,393,358	₱2,812,500	₱-	₱-
Accumulated share in net earnings (losses):						
Balance at beginning of year	9,460,919	6,284,295	1,780,268	-	-	-
Equity in net earnings (losses) of associate and joint venture	(48,464)	3,976,624	4,504,027	(175,176)	-	-
Dividend received	-	(800,000)	-	-	-	-
	9,412,455	9,460,919	6,284,295	(175,176)	-	-
Balance at end of year	₱41,805,813	₱41,854,277	₱38,677,653	₱2,637,324	₱-	₱-

The financial information of the associate and joint venture as of and for the years ended December 31, 2013 and 2012 follows:

	Associate			Joint Venture		
	MCWM			ERC		
	2013	2012	2011	2013	2012	2011
Current assets	₱80,110,481	₱139,421,175	₱111,954,549	₱4,687,500	₱-	₱-
Noncurrent assets	203,316,145	149,391,346	157,148,871	-	-	-
Total assets	₱283,426,626	₱288,812,521	₱269,103,420	₱4,687,500	₱-	₱-
Current liabilities	₱19,025,684	₱14,925,849	₱19,680,833	₱291,960	₱-	₱-
Noncurrent liabilities	27,826,450	32,009,282	32,399,094	-	-	-
Total liabilities	₱46,852,134	₱46,935,131	₱52,079,927	₱291,960	₱-	₱-
Net income (loss)	(₱302,890)	₱24,853,897	₱28,150,170	(₱291,960)	₱-	₱-

MCWM

MCWM was incorporated on March 6, 2002 with the primary purpose of managing, supervising and operating a waste management system for the efficient, hygienic, and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of commercial, industrial and other waste garbage, refuse and similar items and engaging in related activities. The registered business address of MCWM is at Clark Special Economic Zone, Clark Field Pampanga.

The Group exercise significant influence in MCWM due to the presence of BEST's President in the BOD of MCWM. The President of BEST, hence, effectively has a participation in the policy-making processes of MWMC. As of December 31, 2013 and 2012, the Group holds 16% interest in MCWM.

ERC

On November 6, 2013, BEST entered into an joint venture agreement with Lafarge Industrial Ecology International, S.A. (LIEI) to organize and establish ERC to engage in the development, utilization of renewable energy sources for non-power applications, and in particular, the production, processing, packaging, distribution and/or sale of fuel generated from municipal solid waste, such as refuse derived fuel, and pursuant thereto, to establish renewable energy systems or facilities, and to engage in any activity pursuant or incidental thereto. ERC was incorporated on November 27, 2013 and its registered address is Unit 103, GF Prestige Tower Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City.



As of December 31, 2013, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and LIEI, which is supported by the contractual agreement of the parties to the following:

- The affirmative vote of shareholders representing at least 75% of the issued share capital shall be required to pass a shareholders resolution; and
- ERC shall be governed by the BOD that will comprise of 5 directors (3 nominated by BEST and 2 nominated by LIEI), whereby 4 directors shall be required to pass a board resolution.

9. Deposits

As of December 31, 2013 and 2012, BEST has investments in surety bond of GSIS amounting to ₱3,155,365 and ₱1,455,365, respectively. The investment was made in favour of BEST's contracting parties, which are government offices, so that the completion of the project is guaranteed. If the Group fails to execute the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond.

10. Investment Property

In 2013, the Group entered into an agreement to lease out part of its building. The cost and accumulated depreciation of the transferred building are allocated based on the area (in square meters) of the space leased out (see Notes 15 and 21).

Cost and accumulated depreciation of the Group's investment property follow:

Cost	
Transfer from property and equipment (Note 11)	₱38,535,329
Accumulated depreciation	
Transfer from property and equipment (Note 11)	–
Depreciation (Note 16)	1,101,010
	<u>1,101,010</u>
Net book value	<u>₱37,434,319</u>

Rent income earned from the investment property amounted to ₱1,498,259 in 2013.

A report by an independent appraiser dated December 31, 2013 indicated that the fair market value of the investment property amounted to ₱42,740,737.

The value of the investment property was arrived at using the Sales Comparison Approach, which is a comparative approach to value that considers the sales of similar or substitute properties and related market date and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby.



11. Property and Equipment

This account consists of:

	2013						Total
	Land	Building and Improvements	Leasehold Improvements	Transportation Equipment	Office Equipment	Development Cost	
Cost							
At January 1	₱115,252,700	₱74,242,222	₱1,072,523	₱111,457,149	₱880,962	₱230,231,089	₱533,136,645
Additions	–	–	–	–	–	26,786	26,786
Transfer to investment property (Note 10)	–	(38,535,329)	–	–	–	–	(38,535,329)
At December 31	115,252,700	35,706,893	1,072,523	111,457,149	880,962	230,257,875	494,628,102
Accumulated Depreciation and Amortization							
At January 1	–	–	1,072,523	14,381,707	110,314	67,033,839	82,598,383
Depreciation (Notes 16 and 17)	–	1,061,722	–	1,703,187	39,592	29,032,887	31,837,388
At December 31	–	1,061,722	1,072,523	16,084,894	149,906	96,066,726	114,435,771
Net Book Value	₱115,252,700	₱34,645,171	₱–	₱95,372,255	₱731,056	₱134,191,149	₱380,192,331

	2012						Total
	Land	Building and Improvements	Leasehold Improvements	Transportation Equipment	Office Equipment	Development Cost	
Cost							
At January 1	₱63,813,650	₱–	₱1,072,523	₱42,574,316	₱119,335	₱169,954,092	₱277,533,916
Additions	51,439,050	74,242,222	–	68,882,833	761,627	60,276,997	255,602,729
At December 31	115,252,700	74,242,222	1,072,523	111,457,149	880,962	230,231,089	533,136,645
Accumulated Depreciation and Amortization							
At January 1	–	–	1,072,523	12,736,360	96,311	35,440,697	49,345,891
Depreciation and amortization (Notes 16 and 17)	–	–	–	1,645,347	14,003	31,593,142	33,252,492
At December 31	–	–	1,072,523	14,381,707	110,314	67,033,839	82,598,383
Net Book Value	₱115,252,700	₱74,242,222	₱–	₱97,075,442	₱770,648	₱163,197,250	₱450,538,262



The Group's property and equipment have no restrictions or not pledged as security for any liability.

The cost of fully depreciated property and equipment still being used in the operations amounted to ₱12,026,284 and ₱11,961,686 as of December 31, 2013 and 2012, respectively.

12. Trade and Other Payables

This account consists of:

	2013	2012
Trade payable		
Related parties (Note 15)	₱51,618,768	₱15,511,112
Third parties	5,657,564	95,575,891
	57,276,332	111,087,003
Accrued expenses	2,971,365	143,521
Taxes payable	51,156,217	28,086,171
	₱111,403,914	₱139,316,695

Trade and other payables are non-interest-bearing and are generally settled within one year.

Trade payables comprise of payables in the contracting and consulting operations of BEST to provide waste disposal services. Trade payables to third parties comprise of cash deposits or advances made by the contracting parties, who are customers of BEST to whom BEST is committed to render its services, for the acquisition of necessary materials from suppliers in line with contracted services, which are non-interest-bearing, no collateral and have no fix term of repayment.

Accrued expenses pertain to unreleased checks and accruals of professional fees and salaries and wages. These are non-interest-bearing and payable within 30 days.

Taxes payable pertain to liabilities from output tax, documentary stamp tax, withholding tax on compensation, expanded withholding tax and liabilities arising from contributions to Social Security System, Philippine Health Insurance Corporation and Pag-IBIG Fund, which are remitted within one month from reporting date.

13. Loans Payable

On December 28, 2012, BEST obtained a loan from MBTC for working capital requirements under a back-to-back loan credit accommodation amounting to ₱100,000,000 with interest rate ranging from 3.75% to 4.20% per annum, via a one year promissory note being reviewed and discounted every 30 days at prevailing market rate. This loan is secured by a deed of assignment on the Group's time deposits with the Bank amounting to ₱100,000,000, which can be withdrawn, transferred or encumbered only with a written consent of the Bank, unless the loans or any part thereof, including interest and other charges thereon, shall have been fully paid or discharged (see Note 5).

Interest expense on loans payable amounted to ₱4,190,075 for 2013.



On March 21, 2014, BEST paid the loan from MBTC using the short-term deposit of BEST (see Note 6).

14. Equity

Capital Stock

The authorized capital stock of MIC follows:

	2013	2012
Authorized number of shares:		
At the beginning of the year	240,000,000	240,000,000
Increase in shares authorized to issue	500,000,000	-
At the end of the year	740,000,000	240,000,000
Number of shares issued and outstanding:		
At the beginning of the year	190,000,000	190,000,000
Issuance of shares of stock	500,000,000	-
At the end of the year	690,000,000	190,000,000

In accordance with Annex 68-D of SRC Rule 68 (As Amended), below is a summary of MIC's track record of registration of securities.

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval
180,000,000	180,000,000	₱1.00	August 31, 1995
10,000,000	10,000,000	1.00	April 14, 2010
500,000,000	500,000,000	1.00	June 11, 2013
690,000,000	690,000,000		

MIC's total number of shareholders is 124 and 129 as of December 31, 2013 and 2012, respectively.

Subscriptions

On February 8, 2013, the stockholders of MIC representing at least two thirds of the outstanding capital stock approved the subscription by the following within the IPM group of companies or any of their designees/nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock at a total subscription price of ₱500,000,000, which was paid as follows: (a) IPMDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000.

The Parent Company received the deposits on stock subscription on February 11, 2013 and February 12, 2013 amounting to ₱50,000,000 and ₱450,000,000, respectively.

The deposits for stock subscriptions were then transferred to common shares following the approval of SEC of MIC's application for increase in authorized capital stock on June 11, 2013.

Retained earnings (deficit)

For purposes of dividend declaration, the retained earnings (deficit) shall be that of the legal parent presented in the separate financial statements. As of December 31, 2013, 2012 and 2011, the Parent Company is in a deficit position hence no dividends were declared during the years covered.



The details of MIC's deficit are as follows:

	2013	2012	2011
Balance at beginning of year	₱188,411,388	₱186,554,149	₱183,130,087
Net loss during the year	7,458,765	1,857,239	3,424,062
	₱195,870,153	₱188,411,388	₱186,554,149

Appropriations

BEST's BOD approved the appropriation of retained earnings as follows:

Date of Appropriation	Amount
March 31, 2009	₱7,500,000
April 8, 2010	2,500,000
April 13, 2011	500,000
April 12, 2012	4,303,219
	₱14,803,219

The appropriations made by BEST represent continuing appropriation for future capital expenditures and property acquisitions in the field of waste to energy technology. Each year, BEST incurs capital expenditures and property acquisitions. The appropriations are being fully utilized to cover part of the annual expenditure requirement of BEST.

15. Related Party Transactions

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

The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant financial year:

2013

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables				
Parent				
IPMCDC (a)	₱30,158,700	₱42,726,753	Non-interest-bearing within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	227,473,189	336,617,523	Non-interest-bearing within one year	Unsecured, no impairment
IPMRDC (c)	2,162,550	1,023,625	Non-interest-bearing within one year	Unsecured, no impairment
IPM Trading (d)	812,072	–	Non-interest-bearing within one year	Unsecured, no impairment
		₱380,367,901		



Category	Amount	Outstanding Balance	Terms	Conditions
Due from Joint venture				
ERC (e)	₱266,960	₱266,960	Non-interest-bearing due and demandable	Unsecured, no impairment
Trade payables				
Parent				
IPMCDC (f)	₱9,508,928	₱9,508,928	Non-interest-bearing within one year	Unsecured, no impairment
Co-subsiary				
IPM Trading (f)	103,964,670	42,109,840	Non-interest-bearing within one year	Unsecured, no impairment
		₱51,618,768		
Due to Parent				
IPMCDC (g)(h)	₱-	₱100,000,000	Non-interest-bearing due and demandable	Unsecured, no impairment
Shareholder				
IPMESI (g)	-	2,279,908	Non-interest-bearing due and demandable	Unsecured, no impairment
IPMRDC (g)	241,894	241,894	Non-interest-bearing due and demandable	Unsecured, no impairment
Affiliate				
GNCA Holdings, Inc. (GNCA) (i)	180,000	-	Non-interest-bearing due and demandable	Unsecured, no impairment
		₱102,521,802		

2012

Category	Amount	Outstanding Balance	Terms	Conditions
Trade receivables				
Parent				
IPMCDC (a)	₱5,269,950	₱5,445,592	Non-interest-bearing within one year	Unsecured, no impairment
Shareholders				
IPMESI (b)	201,846,106	185,664,102	Non-interest-bearing within one year	Unsecured, no impairment
		₱191,109,694		
Trade payables				
Co-subsiary				
IPM Trading (f)	₱71,568,165	₱15,511,112	Non-interest-bearing within one year	Unsecured, no impairment
Due to Parent				
IPMCDC (g)(h)	₱145,704,872	₱528,174,066	Non-interest-bearing due and demandable	Unsecured, no impairment
Shareholder				
IPMESI (g)	37,665	2,279,908	Non-interest-bearing due and demandable	Unsecured, no impairment
Affiliate				
GNCA Holdings, Inc. (GNCA) (i)	180,000	-	Non-interest-bearing due and demandable	Unsecured, no impairment
		₱530,453,974		



- A. BEST provides composting of waste materials services to IPMCDC and charges tipping fees, and composting and waste processing fees based on the cubic meters of waste processed for the period. In 2013, BEST charged IPMCDC for transportation equipment rental fees.
- B. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱17,451,854. BEST also has a separate contract with IPMESI for the development of an Integrated Ecological Solid Waste Management Facility for a fixed monthly fee of ₱2,000,000 or 7.5% of the gross monthly income of the landfill for a period of five (5) years starting August 2010, whichever is higher (see Note 21). In 2013, BEST charged IPMESI for transportation equipment rental fees.
- C. On January 2013, BEST rented out part of its office space to IPMRDC for a monthly rental fee of ₱139,837, inclusive of VAT (see Note 21).
- D. BEST provided advances to ERC in line with its start-up operations. The advances are non-interest-bearing and due and demandable.
- E. In 2013, IPM Trading made rentals of BEST's transportation equipment. There was no outstanding receivable from this transaction as of December 31, 2013.
- F. IPMCDC and IPM Trading charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance expenses incurred in line with the operations of BEST.
- G. Due to IPMCDC, IPMESI and IPMRDC are for various reimbursable expenses advanced by the related parties on behalf of BEST. These advances are non-interest bearing and are due and demandable.
- H. On December 28, 2012, BEST obtained advances from IPMCDC amounting to ₱100,000,000 for working capital requirements. These advances are non-interest bearing and are due and demandable.
- I. MIC entered into an agreement with GNCA, an entity controlled by one of MIC's BOD, for the sharing of common costs incurred on the leased office space. The agreement provides that MIC shall pay fixed monthly utility charges of ₱15,000 in 2013 and 2012, in lieu of its proportionate share in monthly rentals on the leased premises.
- J. In 2013, the BOD of MIC approved the grant of per diem to members of the BOD amounting to ₱20,000 for the Chairman, ₱10,000 for regular directors and ₱10,000 for independent directors for every attendance at regular meetings of the BOD. Total per diem paid to the directors amounted to ₱220,000 in 2013 (see Note 17).

Compensation of Key Management Personnel of the Group

Details of the compensation of key management personnel of the Group are as follows:

	2013	2012	2011
Salaries and other short-term			
employee benefits	₱4,343,971	₱3,099,574	₱271,739



16. Cost of Services

This account consists of:

	2013	2012	2011
Rent (Note 15)	₱46,558,877	₱43,343,615	₱-
Depreciation and amortization (Notes 10 and 11)	32,889,953	33,238,489	37,999,031
Contract costs (Note 15)	29,958,507	14,316,953	-
Repairs and maintenance (Note 15)	24,060,874	10,040,494	-
Fuel and oil (Note 15)	17,349,510	8,752,743	4,362,260
Materials and tools (Note 15)	9,712,638	14,015,279	2,237,620
Salaries and wages (Note 15)	4,734,835	5,154,854	844,775
Taxes and licenses	813,224	125,135	-
Entertainment, amusement and recreation	389,678	72,665	-
Supplies	271,403	44,948	-
Utilities	223,939	280,065	-
Transportation and travel	115,066	13,682	-
Insurance	32,326	6,319	-
Professional fees	18,634	46,784	-
Others	169,891	223,417	-
	₱167,299,355	₱129,675,442	₱45,443,686

17. General and Administrative Expenses

This account consists of:

	2013	2012	2011
Taxes and licenses	₱8,294,871	₱1,775,581	₱783,691
Salaries, wages and employee benefits (Notes 15 and 18)	7,064,978	2,262,379	1,301,263
Stock exchange listing fee	2,026,593	-	-
Professional fees	1,560,025	292,937	2,900
Utilities (Note 15)	899,358	102,884	391,540
Office supplies and printing costs	703,708	125,492	171,840
Repairs and maintenance	349,770	27,120	679,746
Provision for impairment loss (Note 7)	308,371	-	-
Entertainment, amusement and recreation	304,750	749,410	545,555
Transportation and travel	301,943	3,899,448	2,061,861
Rent	278,445	682,661	-
Directors' per diem (Note 15)	220,000	-	-
Fuel and oil	80,463	194,769	545,381
Depreciation (Note 11)	48,445	14,003	23,584
Others	532,706	379,595	118,336
	₱22,974,426	₱10,506,279	₱6,625,697



18. Pension Plan

The Group has a non-contributory defined benefit pension plan that covers all regular full-time employees. Under its defined benefit plan, the Group provides a retirement benefit equal to 22.5 days' pay for every year of credited service in accordance with the Retirement Pay Law (RA 7641). The benefit is paid lump sum upon retirement or separation in accordance with the terms of the plan. The law does not require minimum funding of the plan.

The Group's retirement fund is administered by Metropolitan Bank and Trust Company (the Trustee) under the supervision of the Board of Trustees (BOT) of the plan which delegates the implementation of the investment policy to the Trustee. The fund is subject to the investment objectives and guidelines established by the Trustee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Trustee is responsible for the investment strategy of the plan

The latest actuarial valuation date of the Group's retirement plan is December 31, 2013.

The following tables summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the statements of financial position for the plan:

2013			
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1, as restated	₱145,616	₱-	₱145,616
<i><u>Benefit cost in profit or loss</u></i>			
Current service cost	44,670	-	44,670
Net interest expense	8,242	-	8,242
<i><u>Remeasurements in other comprehensive income</u></i>			
Actuarial loss on defined benefit obligation	319,269	-	319,269
Contributions	-	(341,929)	(341,929)
At December 31	₱517,797	(341,929)	175,868
2012			
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1, as restated	₱97,056	₱-	₱97,056
<i><u>Benefit cost in profit or loss</u></i>			
Current service cost	34,040	-	34,040
Net interest expense	5,823	-	5,823
<i><u>Remeasurements in other comprehensive income</u></i>			
Actuarial loss on defined benefit obligation	8,697	-	8,697
At December 31, as restated	₱145,616	-	₱145,616

The Group's plan assets are invested in mutual funds. The carrying value of the Group's plan assets approximates the fair value since the investments in mutual funds have quoted prices in active markets. The plan assets do not have any concentration risk.

The Group expects to contribute ₱175,000 to the defined benefit pension plan in 2014.



The present value of the pension obligation is determined using an actuarial valuation, which involves making various assumptions. The principal assumptions used in determining pension benefits are as follows:

	2013	2012
Discount rate	4.15%	5.66%
Salary increase rate	2.00%	2.00%

The following sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Change in variable	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+100 bps	(P57,631)
	-100 bps	69,229
Salary increase rate	+100 bps	65,087
	-100 bps	(55,249)

The Group does not expect to pay retirement benefits for the next 10 years.

19. Income Tax

The provision for income tax recognized in profit or loss consists of:

	2013	2012	2011
Current	₱31,613,780	₱21,535,220	₱1,939,115
Final	340,965	3,045	5,149
	₱31,954,745	₱21,538,265	₱1,944,264

The components of the Group's unrecognized deferred tax assets follow:

	2013	2012	2011
Allowance for impairment losses	₱5,431,129	₱-	₱-
NOLCO	10,285,862	-	-
Net pension liability	175,868	-	-
	15,892,859	-	-
Tax rate	30%	30%	30%
	₱4,767,858	₱-	₱-

The Group's deferred tax assets were not recognized in the books because management believes that it is not probable that taxable profits will be available in the future against which these can be utilized. The Group will recognize a previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable income will allow the deferred tax asset to be recovered.



NOLCO as of December 31, 2013 consists of:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Date
Parent Company					
2013	₱7,137,132	₱-	₱-	₱7,137,132	2016
2012	1,707,886	-	-	1,707,886	2015
2011	1,440,844	-	-	1,440,844	2014
2010	3,926,987	-	3,926,987	-	-
	₱14,212,849	₱-	₱3,926,987	₱10,285,862	

The reconciliation between the statutory income tax and the effective income tax follows:

	2013	2012	2011
Income tax at statutory tax rate	₱22,141,915	₱22,720,816	₱3,268,930
Add (deduct) tax effects of:			
Nondeductible expense	7,749,870	11,959	29,117
Change in unrecognized deferred tax assets	1,740,796	-	-
Expired NOLCO	425,554	-	-
Equity in net losses (income) of an associate and a joint venture	67,092	(1,192,987)	(1,351,208)
Interest income subjected to final tax	(170,482)	(1,523)	(2,575)
Effective income tax	₱31,954,745	₱21,538,265	₱1,944,264

20. Basic/Diluted Loss per Share

Basic/diluted loss per share was computed as follows:

	2013	2012	2011
Net income (a)	₱41,851,637	₱54,197,789	₱8,952,168
Weighted average number of outstanding common share (b)	469,452,055	190,000,000	190,000,000
Basic/diluted loss per share (a/b)	₱0.09	₱0.29	₱0.05

The basic EPS is equal to the diluted EPS since the Group has no potential shares that will have a dilutive effect on EPS.

21. Commitments

As of December 31, 2013, the Group has the following contractual commitments:

- On December 23, 2011, BEST entered into a contractual agreement with IPMCD, a related party, to undertake composting of waste materials. The contract is renewable every year (see Note 14).



- BEST entered into a contractual commitment with IPMESI, a related party, to undertake the following, subject to renewal and extensions, if any:
 - a) Operation and Maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of ₱17,451,854 per month renewed on December 29, 2012 for the period covering January 1, 2013 to December 31, 2013; and
 - b) Development of an Integrated Ecological Solid Waste Management Facility for a fixed monthly fee of ₱2,000,000 or 7.5% of the gross monthly income of the landfill for a period of five (5) years starting on August 2010 (see Note 15).
- On April 23, 2012, BEST entered into a contractual commitment to provide garbage hauling and disposal services for the Municipality of Taytay, Rizal for a consideration of ₱349 per cubic meter or a total of 45,845 cubic meters of waste hauled to the landfill facility amounting to ₱15,999,905. The agreement ended in June 2013 when the total computed volume of 45,845 cubic meters of waste had already been completely hauled to the landfill facility.
- On December 28, 2012, BEST has renewed its contractual commitments to accommodate the residual waste from the Municipalities of Barras, Cardona and Tanay in Rizal for a consideration amounting to ₱600 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.
- BEST entered into a contractual commitment with Lafarge Republic, Inc. (LRI) to provide hauling services for the hauling of Refuse-Derived Fuel from Payatas Landfill site in Quezon City to LRI Plants at the following rates based on an average load of 20 metric ton per trip:

	Rate per metric ton
Brgy. Dalumbayan, Teresa, Rizal	₱517
Brgy. Bigte, Norzagaray, Bulacan	401
Brgy. Minuyan, Norzagaray, Bulacan	426

The contract shall be effective from July 1, 2013 to June 30, 2014, renewable upon mutual agreement of the parties.

- On February 27, 2013, BEST has renewed its contractual commitment to accommodate the residual waste from the Municipality of Teresa, Rizal for a consideration amounting to ₱600 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.
- On May 23, 2013, BEST has renewed its contractual commitment to accommodate the residual waste from the Municipality of Morong, Rizal for a consideration amounting to ₱300 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.



- On August 13, 2013, BEST has renewed its contractual commitment to accommodate the residual waste from the Municipality of Teresa, Rizal for a consideration amounting to ₱500 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.
- On January 2013, BEST has entered into an operating lease agreement on its investment property with IPMRDC. Rental income amounted to ₱1,498,259 in 2013 (see Note 15).

22. Financial Risk Management Objectives and Policies

The Group's principal financial assets and liabilities comprise of cash and cash equivalents, receivables, short-term deposits, due to/from related parties and loans payable. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on credit risk, liquidity risk, and market risks. It also supports the effective implementation of policies. The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

The main risk arising from the Group's consolidated financial statements are credit risk, liquidity risk, and market risks. The BOD reviews and approves the policies for managing each of these risks which are summarized below:

Credit risk

Credit risk arises when the counterparty to a financial asset of the Group is unable to fulfil its obligation in time the obligation becomes due. Credit risk arises from the Group's financial assets, which comprise cash and cash equivalents, trade receivables and short-term deposits. Credit risk pertains to the risk that a party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The table below shows the maximum exposure to credit risk of the financial assets of the Group:

	2013	2012
Loans and receivables:		
Cash and cash equivalents*	₱35,176,398	₱103,662,115
Trade receivables	404,740,787	208,168,214
Due from a related party	266,960	-
Short-term deposit	101,219,867	100,000,000
	₱541,404,012	₱411,830,329

*excluding cash on hand

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirements of PAS 32. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of December 31, 2013 and 2012.



The aging analysis of financial assets as of December 31, 2013 and 2012 follows:

	2013				
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	61 to 90 days		
Financial assets					
Loans and receivables:					
Cash and cash equivalents*	₱35,176,398	₱-	₱-	₱-	₱35,176,398
Receivables					
Trade	24,932,330	15,480,895	364,327,562	-	404,740,787
Others	-	-	-	1,066,172	1,066,172
Due from a related party	266,960	-	-	-	266,960
Short-term deposits	101,219,867	-	-	-	101,219,867
	₱161,595,555	₱15,480,895	₱364,327,562	₱1,066,172	₱542,470,184

*excluding cash on hand

	2012				
	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Total
	High Grade	31 to 60 Days	61 to 90 days		
Financial assets					
Loans and receivables:					
Cash and cash equivalents*	₱103,662,115	₱-	-	₱-	₱103,662,115
Trade receivables	6,137,066	19,161,752	182,869,396	-	208,168,214
Short-term deposits	100,000,000	-	-	-	100,000,000
	₱209,799,181	₱19,161,752	₱182,869,396	₱-	₱411,830,329

*excluding cash on hand

High grade assets are considered as having very low risk and can easily be converted to cash. These assets are considered for counterparties that possess strong to very strong capacity to meet their obligations.

The Group trades with only recognized, creditworthy third parties, thus, there is no requirement for collateral. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to debts is not significant. There are no significant concentrations of credit risk within the Group.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group also ensures that there are sufficient, available and approved working capital lines that it can draw from anytime. It maintains an adequate cash and cash equivalents in the event of unforeseen interruption of its cash collections. The Group also maintains accounts with several relationship banks to avoid significant concentration of cash with one institution.



The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities as of December 31, 2013 and 2012 based on contractual undiscounted payments:

	2013					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	No Term	
Financial assets						
Loans and receivables:						
Cash and cash equivalents	₱5,175,874	₱30,060,708	₱-	₱-	₱-	₱35,236,582
Trade receivables	379,808,457	-	24,932,330	-	-	404,740,787
Due from a related party	266,960	-	-	-	-	266,960
Short-term deposits	-	-	101,219,867	-	-	101,219,867
	₱385,251,291	₱30,060,708	₱126,152,197	₱-	₱-	₱541,464,196
Financial liabilities						
Trade and other payables						
(excluding taxes payable)	₱57,276,332	₱2,971,365	₱-	₱-	₱-	₱60,247,697
Due to related parties	-	-	-	-	102,521,802	102,521,802
Loans payable	-	100,000,000	-	-	-	100,000,000
	₱57,276,332	₱102,971,365	₱-	₱-	₱102,521,802	₱262,769,499
	2012					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than One Year	No Term	
Financial assets						
Loans and receivables:						
Cash and cash equivalents	₱103,697,115	₱-	₱-	₱-	₱-	₱103,697,115
Trade receivables	202,031,148	-	6,137,066	-	-	208,168,214
Short-term deposit	-	-	100,000,000	-	-	100,000,000
	₱305,728,263	₱-	₱106,137,066	₱-	₱-	₱411,865,329
Financial liabilities						
Trade and other payables						
(excluding taxes payable)	₱111,087,003	₱143,521	₱-	₱-	₱-	₱111,230,524
Due to related parties	-	-	-	-	530,453,974	530,453,974
Loans payable	-	-	100,000,000	-	-	100,000,000
	₱111,087,003	₱143,521	₱100,000,000	₱-	₱530,453,974	₱741,684,498

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise risks such as interest rate risk, equity price risk, and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans payable with interest rates that are repriced every 30 days at prevailing market rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the next quarter, with all other variables held constant, of the Parent Company's income before tax (through the impact on floating rate borrowings):

2013	Effect on income before tax
<u>Increase (decrease) in interest rates</u>	<u>increase (decrease)</u>
1.00%	(₱100,000)
(1.00%)	100,000



2012		Effect on income before tax
Increase (decrease) in interest rates		increase (decrease)
	1.00%	(₱100,000)
	(1.00%)	100,000

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease resulting from changes in the levels of equity indices and the value of individual stocks. Equity price risk will have minimal impact to the Group since it no longer has AFS financial assets.

Foreign currency risk

The Group is not exposed to foreign currency exchange rate risk since it has no financial instruments denominated in foreign currency.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risk to which the Group is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account, are reported to the Group's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2013 and 2012:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱35,236,582	₱35,236,582	₱103,697,115	₱103,697,115
Trade receivables	404,740,787	404,740,787	208,168,214	208,168,214
Due from a related party	266,960	266,960	—	—
Short-term deposit	101,219,867	101,219,867	100,000,000	100,000,000
	₱541,464,196	₱541,464,196	₱411,865,329	₱411,865,329
Financial liabilities				
Trade and other payables (excluding taxes payable)	₱60,247,697	₱60,247,697	₱139,316,695	₱139,316,695
Due to related parties	102,521,802	102,521,802	530,453,974	530,453,974
Loans payable	100,000,000	100,000,000	100,000,000	100,000,000
	₱262,769,499	₱262,769,499	₱769,770,669	₱769,770,669



Due to the short term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of December 31, 2013 and 2012.

Fair Value Hierarchy

As of December 31, 2013 and 2012, the Group has no AFS financial assets or any financial assets carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

23. Segment Information

For management reporting purposes, the Group's businesses are classified into the following business segments: (1) investment holding and (2) service. Details of the Group's business segments are as follows:

	2013				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue	₱130,974	₱293,605,934	₱293,736,908	₱-	₱293,736,908
Income (loss) before tax	(7,123,997)	106,151,949	99,027,952	25,221,570	73,806,382
Provision for income tax	26,195	31,928,550	31,954,745	-	31,954,745
Net income (loss)	(7,150,192)	74,223,399	67,073,207	25,221,570	41,851,637
Other Information					
Segment assets	647,245,023	1,001,689,350	1,648,934,373	615,000,000	1,033,934,373
Segment liabilities	153,115,175	319,455,799	472,570,974	152,500,000	320,070,974
Depreciation and amortization	-	32,938,398	32,938,398	-	32,938,398
	2012				
	Investment Holding	Service	Combined	Eliminations	Consolidated
Revenue	₱-	₱215,917,775	₱215,917,775	₱-	₱215,917,775
Income (loss) before tax	-	75,736,054	75,736,054	-	75,736,054
Provision for income tax	-	21,538,265	21,538,265	-	21,538,265
Net income (loss)	-	54,197,789	54,197,789	-	54,197,789
Other Information					
Segment assets	-	937,280,926	937,280,926	-	937,280,926
Segment liabilities	-	791,451,505	791,451,505	-	791,451,505
Depreciation and amortization	-	33,252,492	33,252,492	-	33,252,492

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in consolidation.

Revenue derived from IPMCDC, IPMESI and IPMRDC (entities under common control of IPM Group) amounted to ₱259,794,439, ₱207,116,056, and ₱35,462,049 in 2013, 2012 and 2011, respectively.

All of the Group's revenues are derived from operations within the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.



24. Prior Period Adjustments

The Group adjusted its reported investments in an associate and a joint venture carried at acquisition cost amounting to ₱32,393,358 to their carrying values using the equity method amounting to ₱41,854,277 and ₱38,677,653 as of December 31, 2012 and 2011, respectively, to be in compliance with the requirements of PAS 28. The effect in retained earnings was an increase of ₱9,460,919 and ₱6,284,295 as of December 31, 2012 and 2011, respectively. The effect in net income was an increase of ₱3,976,624 and ₱4,504,027 in 2012 and 2011, respectively (see Note 8).

The Group adjusted its net pension liability as of December 31, 2012 and 2011 as a result of adoption of revised PAS 19. The effects in retained earnings, net income, and other comprehensive income are presented in Note 2.




INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Minerales Industrias Corporation
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Minerales Industrias Corporation and Subsidiary (the "Group") as at and for the year ended December 31, 2013 included in this Form 17-A, and have issued our report thereon dated April 10, 2014. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.


Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-081-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225205, January 2, 2014, Makati City

April 10, 2014



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule of All the Effective Standards and Interpretations

Under PFRS in compliance with SRC Rule 68, As Amended (2011)

December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Financial Instruments			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
Amendment to PAS 39: Eligible Hedged Items			✓	
PAS 40	Investment Property			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF DEFICIT OF THE PARENT COMPANY
DECEMBER 31, 2013

Unappropriated deficit, as adjusted, beginning	₱188,411,388
Net loss during the period closed to deficit	7,458,765
Unappropriated deficit, as adjusted, ending	₱195,870,153



MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule A - Financial Assets

December 31, 2013

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income received and accrued
Loans and receivables:				
Cash and cash equivalents		35,236,582	35,236,582	
Trade receivables		404,740,787	404,740,787	
Due from related party		266,960	266,960	
Short-term deposit		101,219,867	101,219,867	
Total Financial Assets		541,464,196	541,464,196	-

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders (Other than Related parties)**

December 31, 2013

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions				Balance at end of period
			Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	
Trade	191,109,694	294,363,577	105,105,370	-	-	-	380,367,901
Non-Trade	-	266,960					266,960
Advances to officers & employees	65,650	123,528					189,178
	191,175,344	294,754,065	105,105,370	-	-	-	380,824,039

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule C - Amounts Receivable from Related Parties
which are eliminated during the consolidation of financial statements
December 31, 2013

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
------------------------------------	--------------------------------	-----------	-----------------------	--------------------------	---------	-------------	--------------------------

None

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule D- Intangible Assets - Other Assets

December 31, 2013

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
None						

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule E- Long Term Debt

December 31, 2013

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long Term Debt" in related balance sheet (iii)
None			

None

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2013

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
---------------------------	--------------------------------	-------------------------------

None

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule G- Guarantees of Securities of Other Issuers

December 31, 2013

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
---	---	---	---	--------------------------

None

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

Schedule H - Capital Stock

December 31, 2013

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversions and other rights	Number of Shares Held By		
				Related parties	Directors, officers and employees	Others
Common shares - P1 par value	740,000,000	690,000,000	none	500,000,000	11,079,300	178,920,700

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF DEFICIT OF THE PARENT COMPANY
DECEMBER 31, 2013

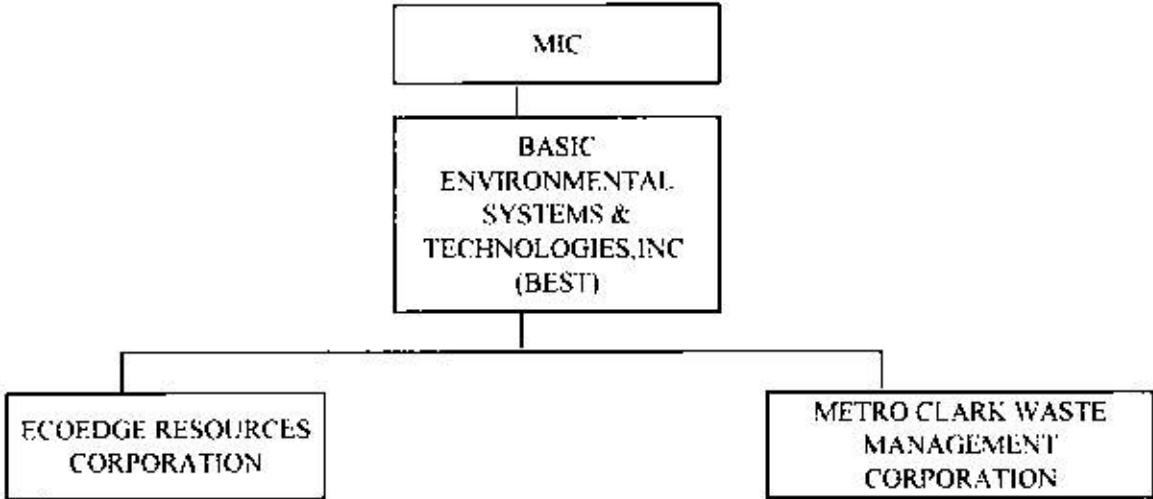
Unappropriated deficit, as adjusted, beginning	₱188,411,388
Net loss during the period closed to deficit	7,458,765
<u>Unappropriated deficit deficit, as adjusted, ending</u>	<u>₱195,870,153</u>

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
FINANCIAL SOUNDNESS INDICATORS

FSI	Calculation	Years Ended December 31	
		2013	2012
Current Ratio	Current Assets/Current Liabilities	1.78x	0.56x
Quick Ratio	Cash /Current Liabilities	1.76x	0.54x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	0.45x	5.43x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.45x	6.43x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	18.52x	N/A
Gross Profit Margin	Gross Profit/Net Sales	0.43	0.39
Book Value per share	Total Assets –Total Liabilities/ Outstanding Shares	1.03	0.77
Income per Share	Net Incomes/Weighted Average Number of Shares Outstanding	0.09	0.29

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Current Ratio	568,709,220/319,895,106	443,433,022/791,305,889
Quick Ratio	563,931,881/319,895,106	430,745,246/791,305,889
Debt to Equity	320,070,974/713,863,398	791,451,505/145,829,421
Asset to Equity Ratio	1,033,934,372/713,863,398	937,280,926/145,829,421
Interest Coverage Ratio	78,017,917/4,211,535	N/A
Gross Profit Margin	124,732,726/292,032,081	82,250,483/211,925,925
Book Value/Share	713,863,398/690,000,000	145,829,421/190,000,000
Income per Share	41,851,637/469,452,055	54,197,789/190,000,000

MAP OF MINERALES INDUSTRIAS CORPORATION (MIC) GROUP OF COMPANIES



MINERALES INDUSTRIAS CORPORATION

Unit 100, Ground Floor, Prestige Tower Condominium
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS


The management of **Minerales Industrias Corporation (the Parent Company)** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed under oath by the following:


ISABELINA P. MERCADO
Chairman of the Board/President
(Also acting as Chief Executive Officer)



FRANCIS NEIL P. MERCADO
Treasurer/Chief Financial Officer

Signed this 10th day of April, 2014

SUBSCRIBED AND SWORN to before me APR 30 2014, affiants exhibiting to me their Residence Certificates, as follows:

<u>Name</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Isabelina P. Mercado	27944009	Jan. 7, 2014	Pasig City
Francis Neil P. Mercado	27944014	Jan. 7, 2014	Pasig City

Doc No. 183
Page No. 20
Book No. 79
Series of 2014


ATTY. ROBERT M. ALLUZ
NOTARY PUBLIC
Until December 31, 2015
App. No. M-44, Makati City
IBP #942530, Nov. 10, 2010-RSM
PTR #4225542, Jan. 02, 2014-Makati
S.C. Roll No. 50297
MCLE Compliance No. R-0011330
Unit 6E Cityland Herrera Tower
#98 Rufino St. cor. Valero St.
Salcedo Village, Makati City

COVER SHEET

A S 0 9 5 - 0 0 8 5 5 7
 SEC Registration Number

M I N E R A L E S I N D U S T R I A S C O R P O R A T I O N

(Company's Full Name)

U n i t 1 0 3 , G r o u n d F l o o r , P r e s t i g e
T o w e r C o n d o m i n i u m , F . O r t i g a s J r .
A v e n u e , O r t i g a s C e n t e r , P a s i g C i t
y

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

Ana Maria Katigbak
 (Contact Person)

817-6791
 (Company Telephone Number)

1 2
3 1

Month Day
 (Fiscal Year)

A A P F S
 (Form Type)

4th Wed of May
 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

_____ LCU

Document ID

_____ Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Minerales Industrias Corporation
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Minerales Industrias Corporation, which comprise the parent company statements of financial position as at December 31, 2013 and 2012, and the parent company statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

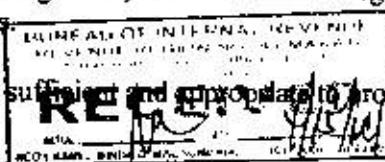
Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the presentation of parent company financial statements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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Minerales Industrias Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 15 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Minerales Industrias Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),

April 15, 2013, valid until April 14, 2016

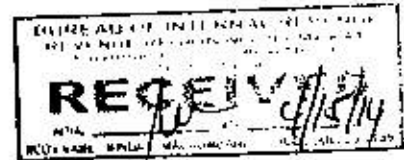
Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-081-2012,

June 19, 2012, valid until June 18, 2015

PTR No. 4225205, January 2, 2014, Makati City

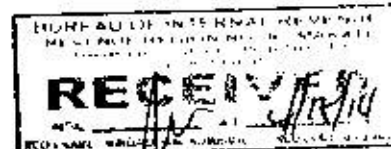
April 10, 2014



MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 14)	P32,231,690	P1,693,736
Receivables (net of allowance for impairment losses of P1,066,172 as of December 31, 2013 and 2012) (Note 14)	-	-
Other current assets - net (Note 6)	13,333	20,000
Total Current Assets	32,245,023	P1,713,736
Noncurrent Assets		
Investment in a subsidiary (Notes 7 and 11)	615,000,000	-
Total Assets	P647,245,023	P1,713,736
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other payables (Notes 8 and 14)	P615,176	P125,124
Subscription payable (Notes 7 and 11)	152,500,000	-
Total Liabilities	153,115,176	125,124
Equity		
Capital stock (Note 9)	690,000,000	190,000,000
Deficit	(195,870,153)	(188,411,388)
Total Equity	494,129,847	1,588,612
	P647,245,023	P1,713,736

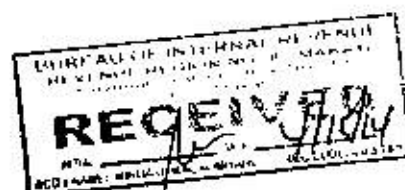
See accompanying Notes to Parent Company Financial Statements.



MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2013	2012	2011
INCOME			
Interest (Note 4)	P137,614	P86,475	P13,031
Gain on sale of available-for-sale financial assets (Note 5)	-	-	85,762
	137,614	86,475	98,793
EXPENSES			
Taxes and licenses	2,565,591	8,219	9,541
Stock exchange listing fee	2,068,260	255,050	255,050
Professional fees	1,280,242	507,160	428,641
Salaries and wages	557,667	476,000	408,488
Provision for impairment losses (Note 6)	308,371	89,879	1,990,407
Directors' per diem (Note 11)	220,000	160,000	-
Utilities (Note 11)	180,000	180,000	180,000
Entertainment, amusement and recreation	118,354	128,654	89,855
Office supplies and printing costs	110,961	45,028	72,785
Transportation	45,957	38,779	39,515
Miscellaneous	113,453	37,650	45,967
	7,568,856	1,926,419	3,520,249
LOSS BEFORE INCOME TAX	7,431,242	1,839,944	3,421,456
PROVISION FOR INCOME TAX (Note 10)	27,523	17,295	2,606
NET LOSS	P7,458,765	P1,857,239	P3,424,062
Basic/Diluted Loss Per Share (Note 12)	P0.0159	P0.0098	P0.0180

See accompanying Notes to Parent Company Financial Statements.



MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012	2011
NET LOSS	(P7,458,765)	(P1,857,239)	(P3,424,062)
OTHER COMPREHENSIVE LOSS			
<i>Items that will be recycled to profit or loss</i>			
Unrealized fair value gains on available-for-sale financial assets (Note 5)	-	-	22,629
Transferred to profit or loss	-	-	(85,762)
	-	-	(63,133)
TOTAL COMPREHENSIVE LOSS	(7,458,765)	(P1,857,239)	(P3,487,195)

See accompanying Notes to Parent Company Financial Statements.



MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 9)	Revaluation Reserve on Available-for- Sale Financial Assets (Note 5)	Deficit	Total
At January 1, 2013	₱190,000,000	₱-	(₱188,411,388)	₱1,588,612
Issuance of shares of stock	500,000,000	-	-	500,000,000
Net loss	-	-	(7,458,765)	(7,458,765)
At December 31, 2013	₱690,000,000	₱-	(₱195,870,153)	₱494,129,847
At January 1, 2012	₱190,000,000	₱-	(₱186,554,149)	₱3,445,851
Net loss	-	-	(1,857,239)	(1,857,239)
At December 31, 2012	₱190,000,000	₱-	(₱188,411,388)	₱1,588,612
At January 1, 2011	₱190,000,000	₱63,133	(₱183,130,087)	₱6,933,046
Net loss	-	-	(3,424,062)	(3,424,062)
Other comprehensive loss	-	(63,133)	-	(63,133)
Total comprehensive loss	-	(63,133)	(3,424,062)	(3,487,195)
At December 31, 2011	₱190,000,000	₱-	(₱186,554,149)	₱3,445,851

See accompanying Notes to Parent Company Financial Statements.



MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱7,431,242)	(₱1,839,944)	(₱3,421,456)
Adjustments for:			
Provision for impairment losses (Note 6)	308,371	89,879	1,990,407
Gain on sale of available-for-sale financial assets (Note 5)	-	-	(85,762)
Interest income (Note 4)	(137,614)	(86,475)	(13,031)
Operating loss before changes in working capital	(7,260,485)	(1,836,540)	(1,529,842)
Changes in operating assets and liabilities			
Increase in other current assets	(301,704)	(89,879)	(84,071)
Increase (decrease) in accrued expenses and other payables	490,052	5,712	2,038
Net cash used in operations	(7,072,137)	(1,920,707)	(1,611,875)
Interest received	137,614	86,475	13,031
Income tax paid	(27,523)	(17,295)	(2,606)
Net cash used in operating activities	(6,962,046)	(1,851,527)	(1,601,450)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment in subsidiary (Note 7)	(462,500,000)	-	-
Proceeds from sale of available-for-sale financial assets (Note 5)	-	-	176,953
Net cash provided by (used in) investing activities	(462,500,000)	-	176,953
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from issuance of shares of stock (Note 9)	500,000,000	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,537,954	(1,851,527)	(1,424,497)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,693,736	3,545,263	4,969,760
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱32,231,690	₱1,693,736	₱3,545,263

See accompanying Notes to Parent Company Financial Statements.



MINERALES INDUSTRIAS CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Minerales Industrias Corporation (the Parent Company) was incorporated and organized in the Republic of the Philippines on August 31, 1995 to engage in the business of investment; to own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description; and, to manage any business, joint venture, firm partnership, corporation, institution or entity or otherwise act as holding or management corporation thereof.

On December 20, 1999, the stockholders approved the increase in the authorized capital stock of the Parent Company from ₱240,000,000 divided into 240,000,000 shares with a par value of ₱1 per share to ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share. On August 31, 2007, the stockholders approved the delegation to the Board of Directors (BOD) of the prerogative to determine the investors to whom the shares may be issued amounting to an aggregate of ₱560,000,000 (₱500,000,000 coming from the increase in authorized capital stock and ₱60,000,000 from the unissued capital stock of the Parent Company). In 2010, the Parent Company issued additional 10,000,000 shares to private investors.

On July 26, 2007 and August 31, 2007, the BOD and stockholders, respectively, approved the change in primary purpose from holding to mining. The Securities and Exchange Commission (SEC) approved the change on January 14, 2008.

On November 20, 2012, the BOD approved the issuance of 500,000,000 shares at par value of ₱1 per share in favor of the IPM group of companies: (a) IPM Construction and Development Corporation (IPMCDC), 350,000,000; (b) IPM Environmental Services, Inc. (IPMESI), 100,000,000; and (c) IPM Realty and Development Corporation (IPMRDC), 50,000,000. On the same date, the BOD authorized the acquisition of 615,000,000 shares in Basic Environmental Systems and Technologies, Inc. (BEST) at par value of ₱1 per share, which will constitute 75% of the resulting outstanding capital of BEST. Further, the Parent Company was authorized to partially pay for the 615,000,000 shares in BEST as follows: (a) ₱450,000,000 for the 600,000,000 shares that will come from the increase in authorized capital stock of BEST; and (b) ₱12,500,000 for the subscription rights to 15,000,000 shares in BEST to be acquired from the original shareholders of BEST.

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following within the IPM group of companies or any of their designees/nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock of the Parent Company previously approved by the shareholders, at a total subscription price of ₱500,000,000, payable in cash: (a) IPMCDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000. On the same date, the stockholders approved the amendment of the primary purpose of the Parent Company to enable the Parent Company to revert to being a holding company.

On February 11, 2013 and February 12, 2013, the Parent Company received ₱50,000,000 and ₱450,000,000, respectively, as deposits for the said subscriptions to the proposed increase in the authorized capital stock of the Parent Company. Consequently, the Parent Company became a subsidiary of IPMCDC upon the deposits made as per the subscription agreement.



On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid ₱462,500,000. Subscription payable as of December 31, 2013 amounted to ₱152,500,000 (see Notes 7 and 11).

On June 11, 2013, the Securities and Exchange Commission (SEC) approved the Parent Company's application for increase in authorized capital stock from ₱240,000,000 to ₱740,000,000 shares with a par value of ₱1 per share and the amendment of the primary purpose of the Parent Company to revert to a holding company. The deposits for future subscriptions of stocks by IPMCDC, IPMESI and IPMRDC then transferred to common stocks following the approval of the increase in authorized capital.

On July 18, 2013, the BOD approved the increase in the authorized capital stock of the Parent Company from ₱740,000,000 divided into 740,000,000 shares with a par value of ₱1 per share to an amount not exceeding ₱5,000,000,000 divided into 5,000,000,000 shares with a par value of ₱1 per share. On the same date, the BOD approved the transfer of the principal address of the Parent Company from Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City to its current principal address, Unit 103, Ground Floor, Prestige Tower Condominium, F Ortigas Jr. Avenue Ortigas Center, Pasig City. These were subsequently approved by the shareholders on September 19, 2013. SEC approved the amended articles of incorporation indicating the change of address on October 18, 2013.

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE). As of December 31, 2013, the top four beneficial shareholders of the Parent Company are the following:

	Percentage of ownership
IPMCDC	51%
IPMESI	14%
IPMRDC	7%
Public	28%

IPMCDC, IPMESI and IPMRDC were incorporated in the Philippines.

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of December 31, 2013 (see Note 9).

BEST is incorporated in the Philippines. BEST is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

The accompanying financial statements were authorized for issue by the BOD on April 10, 2014.



2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical basis. These financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRS. These financial statements may be obtained at the Parent Company's registered office address or from the SEC.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). Securities Regulation Code 68, As Amended (2011) (SRC Rule 68) requires entities covered by part II of SRC Rule 68 to prepare financial statements in accordance with PFRS.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2013.

PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments are to be applied retrospectively. The amendments did not impact the Parent Company's financial statements since it has no financial instrument that is subject to an enforceable master netting arrangement or similar arrangement. The related PFRS 7 disclosures of the Parent Company's financial assets and liabilities are included in Note 14.



PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption will have an impact on the Parent Company. Starting 2013, the Parent Company will issue consolidated financial statements due to the acquisition of BEST.

PFRS 11, Joint Arrangements

This standard replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard has no impact on the Parent Company's financial position or performance since the Parent Company has not engaged into any joint arrangement.

PFRS 12, Disclosures of Interests in Other Entities

PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The adoption of PFRS 12 affects disclosures only and has no impact on the Parent Company's financial position and performance since there is no subsidiary controlled with less than a majority of voting rights and there are no unconsolidated structured entities. The related PFRS disclosures of the Parent Company's interest in its subsidiary are included in Note 7.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Parent Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Parent Company has assessed that the application of PFRS 13 has no material impact on its fair value measurements since it is already consistent with PFRS 13. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy of financial instrument is provided in Note 14.

PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI) (Amendments)

The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance since the Parent Company has no item in OCI after its disposal of AFS financial assets in 2011.



PAS 19, Employee Benefits (Revised)

On January 1, 2013, the Parent Company adopted the Revised PAS 19, *Employee Benefits*. For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Parent Company's financial position and financial performance. The adoption of Revised PAS 19 has no impact on the financial position and financial performance of the Parent Company since it has no retirement fund or retirement obligation.

PAS 27, Separate Financial Statements (as revised in 2011)

As a consequence of the issuance of the new PFRS 10, and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Parent Company since its accounting policy is already consistent with the revised PAS 27 upon acquisition of its subsidiary.

PAS 28, Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the revised PAS 28 has no impact on the financial position or performance of the Parent Company since the Parent Company has no investment in an associate or interest in a joint venture.

Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation did not have any impact on the Parent Company's financial position or performance since it is not involved in mining activities.

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Government Loans (Amendments)

The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained



at the time of initially accounting for those loans. These amendments are not relevant to the Parent Company since the Parent Company is not a first-time adopter of PFRS.

Annual Improvements to PFRSs (2009 - 2011 cycle)

The *Annual Improvements to PFRSs (2009 - 2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The Parent Company adopted these amendments for the current year.

- **PFRS 1, *First-time Adoption of PFRS - Borrowing Costs***
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Parent Company as it is not a first-time adopter of PFRS.
- **PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information***
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments will have no impact on the Parent Company's financial statements since there is no retrospective restatement or reclassification of items in the parent company financial statement.
- **PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment***
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Parent Company's financial position or performance since it does not have this type of equipment.
- **PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments***
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Parent Company's financial position or performance since it is already in compliance with PAS 32.
- **PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities***
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendments did not have an impact on the Parent Company's financial statements since it is already consistent



beginning on or after January 1, 2014. The amendments will not have an impact on the Parent Company's financial position or performance since it does not offset its financial instruments.

Effective 2015

- **PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)**
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments will have no impact on the Parent Company's financial position or performance since it has no retirement fund or retirement obligation.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs (2010-2012 cycle)* contain non-urgent but necessary amendments to the following standards:

Effective 2015

- **PFRS 2, *Share-based Payment - Definition of Vesting Condition***
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Parent Company as it has no share-based payments.
- **PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination***
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Parent Company shall consider this amendment for future business combinations.
- **PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets***
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company financial position or performance.



- **PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables***
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- **PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation***
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Parent Company's financial position or performance since it has no property, plant and equipment.

- **PAS 24, *Related Party Disclosures - Key Management Personnel***
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.
- **PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization***
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.



The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Parent Company's financial position or performance since it has no intangible assets.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements to PFRSs (2011-2013 cycle)* contain non-urgent but necessary amendments to the following standards:

- **PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'***
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Parent Company as it is not a first-time adopter of PFRS.
- **PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements***
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. This amendment is not applicable to the Parent Company as it has no joint arrangements.
- **PFRS 13, *Fair Value Measurement - Portfolio Exception***
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance since it does not apply the portfolio exception.
- **PAS 40, *Investment Property***
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance since it has no asset classified as an investment property.

No effective date yet

- **PFRS 9, *Financial Instruments***
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows



and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no effect on the Group's classification and measurement of financial investments since it has no investment classified as FVPL or carried at amortized cost.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Parent Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Parent Company since it is not involved in the construction of real estate.

Cash and Cash Equivalents

Cash includes cash on hand and deposits held on demand with banks that are carried in the parent company statement of financial position at face amount and earn interest based on the prevailing bank deposit rates. Cash equivalents are short term, highly liquid investments that are already convertible to known amounts of cash with maturities of three months or less from the date of placement and are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

The Parent Company recognizes a financial asset or a financial liability on the parent company statement of financial position when it becomes a party to the contractual provisions of the



instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2013 and 2012, the Parent Company has no financial assets and liabilities at FVPL, AFS financial assets and HTM investments. In 2011, the Parent Company already disposed all of its AFS financial assets.

Day 1 difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value ('Day 1' profit or loss) in profit or loss unless it qualifies for recognition as some type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in provision for impairment losses in profit or loss. This accounting policy relates to the parent company statement of financial position caption "Cash and cash equivalents" and "Receivables".

AFS financial assets

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



After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Revaluation reserve on AFS financial assets" in other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is reported as "Gain (loss) on sale of AFS financial assets" in profit or loss.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. This accounting policy applies primarily to the Parent Company's accrued expenses and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

Offsetting of Financial Instruments

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

Impairment of Financial Assets

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

Loans and receivables

For loans and receivables carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being



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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss during the period in which it arises.

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

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired loans and receivables are derecognized when they are assessed as uncollectible.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Parent Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with the changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Parent Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any difference between loss estimate and actual loss experience.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially



all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability

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

Investment in a Subsidiary

Investment in a subsidiary is accounted for under cost method less provision for impairment, if any, in the separate financial statements of the Parent Company. A subsidiary is an entity in which the Parent Company has ability to govern the financial and operating policies and whose activities primarily benefits the Parent Company. The consolidated financial statements are prepared separately reflecting the consolidated balance sheet and operating results of the Parent Company and its subsidiary.

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

Impairment of Nonfinancial Asset

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods



to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value

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 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 assets or liability, assuming that market participants act in their economic best interest.

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments

The fair values for financial instruments traded in active markets at the reporting date are based on their quoted market prices, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

Nonfinancial asset

Fair value measurement of nonfinancial 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.



Other Current Assets

Other current assets represent expenses not yet incurred but already paid in advance. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit and loss as the benefits are consumed in operations or expired with the passage of time.

Equity

Capital stock

Capital stock is measured at par value for all shares issued and outstanding. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deficit

Deficit represents the cumulative amount of net losses of the Parent Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. Regardless of when the payment is being made, revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Interest income

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

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

Income tax

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences and net operating loss carry over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed as of the reporting period and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.



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

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

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

Value-added tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the tax authority is included as part of "Other current assets" in the parent company statement of financial position.

Operating Segment

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Disclosure of segment information is presented in Note 13.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.



3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying parent company financial statements in conformity with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

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

Estimates and Assumptions

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the parent company statement of financial position or disclosed in the notes to the parent company financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are 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. See Note 14 for the related balances.

Estimating allowance for impairment losses on receivables

The Parent Company maintains an allowance for impairment losses based on the result of the individual and collective assessment under PAS 36. Under the individual assessment, the Parent Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Parent Company to classify its receivables based on the credit risk characteristics (past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2013 and 2012, receivables amounting to ₱1,066,172 have been fully provided with allowance for impairment losses.



Impairment of nonfinancial assets

PAS 36 requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount of investments in subsidiaries and associates, property and equipment, and deposits, requires the determination of future cash flows expected to be generated from such assets.

This requires the Parent Company to make estimates and assumptions that can materially affect the parent company financial statements. Future events could cause the Parent Company to conclude that these assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Parent Company's financial condition.

The carrying amount and the related impairment loss of prepaid taxes, creditable withholding tax and input VAT are disclosed in Notes 6.

Recognition of deferred tax assets

As of December 31, 2013 and 2012, deferred tax assets have not been recognized in respect of allowance for impairment losses and NOLCO that are available for offset against future taxable income for the three succeeding years, because management believes that it is more likely than not that the tax benefits of these will not be realized in the future. As of December 31, 2013 and 2012, unrecognized deferred tax assets amounted to ₱4,715,097 and ₱2,907,000, respectively (see Note 10).

4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand and in bank	₱2,170,982	₱1,693,736
Cash equivalents	30,060,708	-
	<u>₱32,231,690</u>	<u>₱1,693,736</u>

Cash in bank earns interest at the prevailing bank deposit rate. Cash equivalents have original maturities of three months or less from dates of placement and earned interest of 1% per annum in 2013. Interest earned on cash and cash equivalents amounted to ₱137,614, ₱86,475 and ₱13,031 in 2013, 2012 and 2011, respectively.

5. Available-for-Sale Financial Assets

In 2011, the Parent Company sold AFS financial assets amounting to ₱154,324 representing shares in Suntrust Home Development, Inc. (Suntrust). The sale resulted to the recognition of realized gain in the profit or loss amounting to ₱85,762 in 2011. Unrealized fair value gain on AFS financial assets recognized prior to the disposal amounted to ₱22,629 in 2011.

The Parent Company no longer has AFS financial assets as of December 31, 2013 and 2012.



6. Other Current Assets

This account consists of:

	2013	2012
Prepaid taxes	P1,976,300	P1,976,300
Creditable withholding tax	1,137,430	1,137,430
Input VAT	1,251,227	942,856
Prepaid expenses	13,333	20,000
	4,378,290	4,076,586
Less allowance for impairment losses	4,364,957	4,056,586
	P13,333	P20,000

The movements in allowance for impairment losses follow:

	2013	2012
Balance at beginning of year	P4,056,586	P3,966,707
Provision for impairment losses	308,371	89,879
Balance at end of year	P4,364,957	P4,056,586

The Parent Company provided an allowance for impairment on its prepaid taxes, creditable withholding tax and input VAT amounting to P4,364,957 and P4,056,586 as of December 31, 2013 and 2012, respectively, due to low probability that these assets may be utilized in the future.

7. Investment in a Subsidiary

On November 20, 2012, the Parent Company's BOD authorized the acquisition of 615,000,000 shares in Basic Environmental Systems and Technologies, Inc. (BEST) at par value of P1 per share, which constitute 75% of the resulting outstanding capital of BEST. Further, the Parent Company was authorized to partially pay for the 615,000,000 shares in BEST as follows: (a) P450,000,000 for the 600,000,000 shares that will come from the increase in authorized capital stock of BEST; and (b) P12,500,000 for the subscription rights to 15,000,000 shares in BEST.

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid P462,500,000. Subscription payable as of December 31, 2013 amounted to P152,500,000 (see Note 11).

On February 10, 2014, the BOD approved the payment to BEST of P22,875,000 representing 15% of the unpaid balance on the total subscription price for the 615,000,000 shares subscribed by the Parent Company in BEST.

The Parent Company accounts for its investment in BEST at cost.



Summarized below is the financial information of BEST as of and for the year ended December 31, 2013:

Current assets	P536,464,197
Noncurrent assets	465,225,153
Total assets	1,001,689,350
Current liabilities	319,279,931
Noncurrent liabilities	175,868
Total liabilities	319,455,799
Revenue	293,605,934
Net income	74,223,400
Total comprehensive income	73,904,131

8. Accrued Expenses and Other Payables

This account consists of:

	2013	2012
Accrued expenses	P594,653	P114,356
Taxes payable	20,523	10,768
	P615,176	P125,124

Accrued expenses pertain to unreleased checks and accruals of professional fees as of December 31, 2013 and 2012. Taxes payable pertain to liabilities from withholding tax on compensation and expanded withholding tax as of December 31, 2013 and 2012. Accrued expenses and taxes payable are non-interest-bearing and are generally payable within 30- to 60- day terms.

9. Equity

Capital Stock

The authorized capital stock of the Parent Company follows:

	2013	2012
Authorized number of shares:		
At the beginning of the year	240,000,000	240,000,000
Increase in shares authorized to issue	500,000,000	-
At the end of the year	740,000,000	240,000,000
Number of shares issued and outstanding:		
At the beginning of the year	190,000,000	190,000,000
Issuance of shares of stock	500,000,000	-
Treasury shares	-	-
At the end of the year	690,000,000	190,000,000



In accordance with Annex 68-D of SRC Rule 68, below is a summary of the Parent Company's track record of registration of securities.

Common Shares	Number of Shares Registered	Issue/Offer Price	Date of Approval	Number of Holders of Securities as of December 31, 2013
180,000,000	180,000,000	₱1.00	August 31, 1995	
10,000,000	10,000,000	1.00	April 14, 2010	
500,000,000	500,000,000	1.00	June 11, 2013	124 shareholders
690,000,000	690,000,000			

On February 8, 2013, the stockholders of the Parent Company representing at least two thirds of the outstanding capital stock approved the subscription by the following within the IPM group of companies or any of their designees/nominees to a total of 500,000,000 shares out of the ₱500,000,000 increase in the authorized capital stock at a total subscription price of ₱500,000,000, which was paid as follows: (a) IPMCDC, ₱350,000,000; (b) IPMESI, ₱100,000,000; and (c) IPMRDC, ₱50,000,000.

The Parent Company received deposit on future stock subscription on February 11, 2013 and February 12, 2013 amounting to ₱50,000,000 and ₱450,000,000, respectively, for the said subscription.

The deposit for future stock subscription was then transferred to common shares following the approval of SEC of the application for increase in authorized shares of the Parent Company on June 11, 2013.

10. Income Tax

The provision for income tax consists of final tax on interest income.

The components of the Parent Company's unrecognized deferred tax assets follow:

	2013	2012
Allowance for impairment losses	₱5,431,129	₱5,122,758
NOLCO	10,285,862	4,567,242
Tax rate	15,716,991	9,690,000
	30%	30%
	₱4,715,097	₱2,907,000

The Parent Company's deferred tax assets were not recognized in the books because management believes that it is not probable that taxable profits will be available against which these can be utilized. The Parent Company will recognize a previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable income will allow the deferred tax asset to be recovered.



The Parent Company's NOLCO as of December 31, 2013 consists of:

Year Incurred	Amount	Expiry Date
2011	₱1,440,844	2014
2012	1,707,886	2015
2013	7,137,132	2016
	₱10,285,862	

The movements in NOLCO follow:

	2013	2012
Balance at beginning of year	₱4,567,242	₱3,926,987
Addition	7,137,132	1,707,886
Expiration	(1,418,512)	(1,067,631)
Balance at end of year	₱10,285,862	₱4,567,242

The reconciliation between the statutory income tax and the effective income tax follows:

	2013	2012	2011
Statutory income tax	(₱2,229,373)	(₱551,983)	(₱1,026,437)
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets	1,808,097	219,041	695,291
Non deductible expenses	37,006	38,596	26,957
Expired NOLCO	425,554	320,289	333,827
Nontaxable income	-	-	(25,729)
Interest income subjected to final tax	(13,761)	(8,648)	(1,303)
Effective income tax	₱27,523	₱17,295	₱2,606

11. Related Party Transaction

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

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The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the relevant financial year:

Category	Amount		Outstanding Balance		Terms	Conditions
	2013	2012	2013	2012		
<i>Subsidiary</i>						
<i>BEST</i>						
Investment in shares of stocks	₱615,000,000	₱-	₱615,000,000	₱-	Due and demandable	Non-interest bearing
Subscription payable	152,500,000	-	152,500,000		Due and demandable	Non-interest bearing
<i>Other related parties</i>						
<i>GNCA Holdings, Inc. (GNCA)</i>						
Utilities	180,000	180,000	-	-	Due and demandable	Unsecured
<i>Directors</i>						
Directors' per diem	220,000	160,000	-	-	Due and demandable	Unsecured

- A. The Parent Company entered into an agreement with GNCA, an entity controlled by one of the Parent Company's BOD, for the sharing of common costs incurred on the leased office space. The agreement provides that the Parent Company shall pay fixed monthly utility charges of ₱15,000 in 2013 and 2012, in lieu of its proportionate share in monthly rentals on the leased premises.
- B. In 2013 and 2012, the BOD approved the grant of per diem to members of the BOD amounting to ₱20,000 for the Chairman, ₱10,000 for regular directors and ₱10,000 for independent directors for every attendance at regular meetings of the BOD.

12. Basic/Diluted Loss per Share

Basic/diluted loss per share was computed as follows:

	2013	2012	2011
Net loss (a)	₱7,458,765	₱1,857,239	₱3,424,062
Weighted average number of outstanding common share (b)	469,452,055	190,000,000	190,000,000
Basic/diluted loss per share (a/b)	₱0.0159	₱0.0098	₱0.0180

The basic EPS is equal to the diluted EPS since the Parent Company has no potential shares that will have a dilutive effect on EPS.

13. Segment Information

For management reporting purposes, the Parent Company's activities are organized in one operating segment. The Parent Company did not receive any income in December 31, 2013. There is no operating segment as of December 31, 2012 since it is not yet engaged in any investing and operating activity.

The Parent Company has no revenue outside the Philippines and no revenue from a single customer, hence, the Parent Company did not present geographical information required by PFRS 8.



14. Financial Instruments

Fair Value Information

Due to the short term nature of the Parent Company's financial instruments, their fair values approximate their carrying amounts as of December 31, 2013 and 2012.

Fair Value Hierarchy

As of December 31, 2013 and 2012, the Parent Company has no AFS financial assets or any financial assets carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and accrued expenses and other payables. The main purpose of the Parent Company's financial instruments is to fund its operational and capital expenditures.

The main risks arising from the Parent Company's financial instruments are interest rate risk, credit risk and liquidity risk. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise risks such as interest rate risk, equity price risk, and foreign currency risk. Interest rate risk, which is the risk that changes the market interest rates will reduce the company's current and future earnings or economic value will have minimal impact to the Parent Company since it has no financial instruments with floating interest rates. Equity price risk which is the risk exposure from fluctuations as result of changes in market prices of equity securities will also have minimal impact to the Parent Company since it has no longer has AFS financial assets. The Parent Company is not exposed to foreign currency exchange rate risk since it has no financial instruments denominated in foreign currency.

Credit risk

The investment of the Parent Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Parent Company's holding of cash exposes the Parent Company to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Parent Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The Parent Company's maximum exposure to credit risk pertains only to cash amounting to ₱32,231,690 and ₱1,693,736 as of December 31, 2013 and 2012, respectively.

The gross maximum exposure to credit risk of the Parent Company approximates its net maximum exposure. There were no amounts that are set-off with the criteria in PAS 32. There are no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2013 and 2012.



The Parent Company's cash has high grade credit quality. The credit quality of the financial assets was determined based on the nature of the counterparty and the Parent Company's historical experience with them.

As of December 31, 2013 and 2012, the Parent Company's receivable amounting to ₱1,066,172 is fully impaired.

Liquidity risk

Liquidity or funding risk is the risk associated with the difficulty of selling financial assets in a timely manner at their values to meet obligations.

The Parent Company seeks to manage its liquidity profile to be able to finance capital expenditures and working capital requirements.

The Parent Company's accrued expenses and other payables are all due within one year.

Capital management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

As of December 31, 2013, 2012 and 2011, the Parent Company has a deficit of ₱195,870,153, ₱188,411,388 and ₱186,554,149, respectively. In 2013, following the receipt of capital infusion from IPM group of companies, the Parent Company acquired 75% interest in BEST, an investment that is expected to improve its financial condition.

Following the subscription agreement with IPMCDC, IPMESI and IPMRDC, the Parent Company became part of the IPM Group of Companies on March 4, 2013.

The IPM Group of Companies' risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risk to which the IPM Group of Companies' are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account, are reported to IPM Group of Companies' risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

15. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes and license fees paid or accrued in 2013.

VAT

The Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

- a. The Parent Company did not have any transaction subjected to output VAT in 2013.



b. Input VAT for 2013 follows:

Balance at January 1, 2013	₱942,856
Current year's domestic purchases/payments for:	
Services lodged under other accounts	252,248
Goods other than for resale or manufacture	27,987
Others	28,136
	<hr/>
Claims for tax credit	1,251,227
	<hr/>
Balance at December 31, 2013	₱1,251,227

Taxes and Licenses

Details of the taxes and licenses for 2013 follow:

<i>Local</i>	
Business clearance	₱8,841
<i>National</i>	
BIR annual registration	500
Documentary stamp tax	2,556,250
	<hr/>
	2,556,750
	<hr/>
	₱2,565,591

Withholding Taxes

The withholding taxes paid in 2013 follow:

Tax on compensation and benefits	₱62,435
Expanded withholding taxes	53,800
	<hr/>
	₱116,235

Tax Assessments

The Parent Company has no Final Assessment Notice and/or Formal letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, VAT and withholding tax. In addition, the Parent Company has no pending tax case outside the administration of the BIR.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Minerales Industrias Corporation
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue Ortigas Center,
Pasig City

We have audited the parent company financial statements of Minerales Industrias Corporation (the Parent Company) for the year ended December 31, 2013 on which we have rendered the attached report dated April 10, 2014.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Parent Company has one hundred sixteen (116) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-1 (Group A),

April 15, 2013, valid until April 14, 2016

Tax Identification No. 178-486-666

BJR Accreditation No. 08-001998-081-2012,

June 19, 2012, valid until June 18, 2015

PTR No. 4225205, January 2, 2014, Makati City

April 10, 2014



MINERALES INDUSRIAS CORPORATION
SUPPLEMENTARY SCHEDULE OF DEFICIT
DECEMBER 31, 2013

Unappropriated deficit, as adjusted, beginning	P188,411,388
Net loss during the period closed to deficit	7,458,765
Unappropriated deficit, as adjusted, ending	P195,870,153

