STENIEL MANUFACTURING CORPORATION

November 28, 2013

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City 1226

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Definitive Information Statement

Madame:

We submit herewith the Definitive Information Sheet of Steniel Manufacturing Corporation.

Thank you.

Very truly yours,

Mia Ormita
Mia M. Ormita
Corporate Information Officer

COVER SHEET

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S.E.C. Registration Number

STENIEL MANUFACTURING
CORPORATION

(Company's Full Name)

GATEWAY BUSINESS PARK
BRGY. JAVALERA GEN. TRIAS
CAVITE

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

MIA M. ORMITA
Contact Person

687 1195
Company Telephone Number

1 2 Month **3 1** Day
Fiscal Year

Definitive Information Statement 2013
FORM TYPE

Last Tuesday of April
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes.

STENIEL MANUFACTURING CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholder,

Please be informed that the annual meeting of the stockholders of **STENIEL MANUFACTURING CORPORATION** will be held on **December 26, 2013, Thursday,** at **1:00 p.m.,** at Gateway Business Park, Brgy. Javalera, Gen. Trias, Cavite, Philippines.

The agenda of the meeting is as follows:

1. Call to order
2. Proof of notice and determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on September 17, 2012
4. President's report
5. Approval and ratification of all acts of the Board of Directors and Management during their term of office
6. Election of Directors
7. Appointment of External Auditor
8. Other matters
9. Adjournment

Stockholders of record as of November 26, 2013 are entitled to notice of, and to vote at, the annual meeting.

Please bring any form of identification in order to facilitate registration.

Mia Ormita

Mia M. Ormita
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[ ] Preliminary Information Statement
[✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Steniel Manufacturing Corporation**

3. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**

4. SEC Identification Number: **23736**

5. BIR Tax Identification Code: **000-099-128**

6. Address of Principal Office/Postal Code: **Gateway Business Park, Brgy. Javalera General Trias, Cavite City**

7. Registrant's telephone number, including area code: **(046) 433-00-66**

8. Date, time and place of the meeting of security holders:

December 26, 2013, Thursday, at 1:00 p.m.
Gateway Business Park, Brgy. Javalera
General Trias, Cavite City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **December 3, 2013**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	1,000,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes __x__ No ____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange – Common Shares**

STENIEL MANUFACTURING CORPORATION

INFORMATION STATEMENT

WE ARE NOT ASKING FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

ITEM 1. DATE, TIME AND PLACE OF ANNUAL MEETING OF SECURITY HOLDERS (THE "ANNUAL MEETING")

(a) Date: **December 26, 2013, Thursday**
Time: **1:00 p.m.**
Place: **Gateway Business Park, Brgy. Javalera General Trias, Cavite City**

Principal office: **Gateway Business Park, Brgy. Javalera General Trias, Cavite**

(b) Approximate date on which copies of the Information Statement are first to be sent or given to Security Holders:

December 3, 2013

ITEM 2. DISSENTERS' RIGHT OF APPRAISAL

There is no matter to be presented for stockholders' approval during the Annual Meeting that may occasion the exercise of the right of appraisal.

ITEM 3. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Company since the beginning of the last fiscal year, or any nominee for election as director, nor any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the meeting, other than election to office.

No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Annual Meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(a) Voting securities entitled to vote at the Annual Meeting:

As of November 18, 2013[1], there are 1,000,000,000 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting. One share is equivalent to one vote except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

(b) Record Date

Only holders of the Company's stock of record at the close of business on **November 26, 2013** (the "**Record Date**") acting in person or by proxy on the day of the meeting are entitled to vote at the Annual Meeting to be held on **December 26, 2013**.

(c) Election of directors and voting rights (Cumulative Voting)

Each stockholder may vote the number of shares of stock outstanding in his own name as of Record Date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. No delinquent stock shall be voted. Cumulative voting is allowed for election of members of the Board.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to the Company as of September 30, 2013 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:[2]

Title of Class	Name, Address, Citizenship of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No. of Shares Held	% of Ownership
Common	Steniel (Netherlands) Holdings[3] B. V Strawinskylaan 3105 Atrium, 1077 ZX Amsterdam, the Netherlands	Same as record holder	720,848,912	72.08%

[1] **To be updated as of Record Date.**

[2] Based on records of the stock transfer agent, Stock Transfer Service, Inc. (List of top 100 stockholders as of September 30, 2013).

[3] Steniel (Netherlands) Holdings B.V. ("Steniel Netherlands") is a corporation organized and existing under the laws of Netherlands.

Title of Class	Name, Address, Citizenship of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No. of Shares Held	% of Ownership
	Registered Stockholder			
Common	Roxburgh Investments Limited (British Virgin Islands) *Registered Stockholder*	Same as record holder	123,817,953	12.38%
Common	PCD Nominee Corporation[4] 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City *Registered Stockholder*	Philippine Central Depository, Inc. Various Participants	86,106,583	8.61%

The Company's parent company is Steniel (Netherlands) Holdings B.V. ("SNHBV"), which owns 72.08% of the common shares of the Corporation.

On October 15, 2010, SMC issued to Roxburgh Investments Limited 123,817,953 common shares of stock out of its authorized but unissued capital stock.

(2) *Security Ownership of Management*

As of November 18, 2013, the security interest of directors and management is as follows:

Name and Address of Beneficial Owner	Position	Title of Class	Amount/ Nature of Ownership	% of Ownership
Delma P. Bermundo 27-A Jaime St., Carmel I Subdivision Project 6, Quezon City	Director/ Vice President/ CFO	Common	3 (R)	nil
Nixon Y. Lim Gateway Business Park Brgy. Javalera, Gen. Trias, Cavite	Chairman	Common	1 (R)	nil
Kenneth George D. Wood	Independent	Common	1 (R)	nil

[4] PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"). It is the registered owner of the shares in the books of the Corporation's stock and transfer agent. The beneficial owners of such shares are PCD's participants, who hold the shares on their own behalf or on behalf of their clients. PCD is a private company organized by major institutions actively participating in Philippine capital markets to implement the automated book-entry system of handling securities transactions in the Philippines.

Name and Address of Beneficial Owner	Position	Title of Class	Amount/ Nature of Ownership	% of Ownership
194 Limasawa Extension Salapungan, Angeles City	Director			
Mia M. Ormita Suite 2401 The Orient Square F. Ortigas, Jr. Road Ortigas Center, Pasig City	Director/ Corporate Secretary	Common	1 (R)	nil
Esteban C. Ku Gateway Business Park Brgy. Javalera, Gen. Trias, Cavite	Director	Common	1 (R)	nil
Directors and officers as a group		Common	7	nil

Directors and officers as a group hold a total of 7 shares, equivalent to approximately 00.00% of the Company's issued and outstanding capital stock.

(e) Voting Trust Holders of 5% or more

The Corporation is not aware of any voting trust or similar agreement where persons hold 5% or more of a class.

(f) Changes in Control

There was no change of control in the Corporation the past year. The Corporation is not aware of any arrangements which may result in a change of control.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) The Board of Directors

The Board is responsible for the overall management and direction of the Company. The Board meets to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified. None of the members of the Board owns more than 2% of the total outstanding shares of the Company.

The following are the members of the Board*:

Office	Name	Age	Nationality
Chairman	Nixon Y. Lim	42	Filipino
Director/Vice President/CFO	Delma P. Bermundo	52	Filipino
Director	Esteban Ku	47	Filipino
Independent Director	Kenneth George D. Wood	55	Filipino
Director	Mia M. Ormita	35	Filipino

**Mr. Genesis Goldi D. Golingan resigned as Director and President & CEO on June 5, 2013; Ms. Victoria R. Tamayao resigned as Independent Director on June 28, 2013.*

Set forth below are the business experience of the Board during the last five years:

Delma P. Bermundo, 52, received her Doctor of Philosophy in Management, graduating with *Meritissimus* honors, and her Master in Business Administration, graduating with *Meritissimus* honors, from the De la Salle Araneta University. She received her Bachelor of Science in Commerce, Major in Accounting, from the University of Nueva Caceres, Naga City. She has been serving as a tax Consultant for Greenstone Packaging Corporation, Greenkraft Corporation, Greencycle Corporation, Bigred Eagle Corporation, Lamitek Systems, Inc., SCG Trading Philippines, Inc., SCG Marketing Philippines, Inc. and Greensiam Resources Corporation for the past several years. Before that, she was the Accounting Head for Polytower General Marketing for 1994 to 1996.

Nixon Y. Lim, 42, is currently the President of Green Siam Resources Corporation. Prior to this, he has had work experience in the packaging business particularly in the fields of sales, marketing, manufacturing and finance. He holds a degree in BS Physics from the De La Salle University, Manila, having graduated in 1992.

Esteban Chu Ku, 47, holds a degree in Bachelor of Science Major in Chemical Engineering from the University of San Carlos in Cebu City, where he graduated from in 1988. From 1989-1992, he was a production supervisor for International Pharmaceutical, Inc. in Xiamen, China. He has since focused on the packaging business, having gained extensive experience in plant operations, sales and marketing and finance. Mr. Ku is currently the Managing Director of Corbox Corporation and Pakmaster Packaging Co.

Kenneth George D. Wood, 55, received his Bachelor of Science in Commerce, Major in Accounting, graduating with *Magna cum Laude* honors. He has been a certified public accountant since 1981. He has advised investors extensively on taxation aspects of doing business in the Philippines, especially at Clark Special Economic Zone. He was previously the Head of the Raw Materials Department and Cost Accountant for Container Corporation of the Philippines and Officer-in-Charge of the Management Information Systems Department of the Clark Development Corporation.

Mia M. Ormita, 37, is currently an associate of the firm Martinez Vergara Gonzalez & Serrano. She received her Juris Doctor degree from the Ateneo de Manila Law School in 2003, and her Bachelor of Arts in Political Science, Minor in Japanese Studies degrees from the Ateneo de Manila University in 1997. She was admitted to the Philippine Bar in 2004 and to the New York State Bar in 2013.

Nomination of Directors for 2013-2014

The directors of the Company elected at the Annual Meeting are to hold office for 1 year and until their respective successors have been elected and qualified.

Currently, the following are the nominees to the Board of Directors:

1. Delma P. Bermundo
2. Nixon Y. Lim
3. Esteban C. Ku
4. Mia M. Ormita
5. Eliza C. Macuray
6. Kenneth George D. Wood (Independent Director)
7. Roberto Roman V. Andes (Independent Director)

The business experience of the foregoing nominees for the past five (5) years are provided above, except for that of Ms. Macuray and Mr. Andes, which follows below:

Eliza C. Macuray, 55, received her Bachelor of Science in Commerce, major in Accounting, from Arellano University. Prior to her joining Container Corporation of the Philippines, her previous work experience was with United Pulp and Paper Co., Inc. for more than 2 decades, where she gained her extensive experience in the paper business, particularly in finance with focus on tax matters. She also served as Accountant to Orange Performance Techniques Inc. She is currently the Comptroller of Container Corporation of the Philippines.

Roberto Roman V. Andes, 58, holds a degree in Bachelor of Science, major in Accounting, from the Far Eastern University, where he graduated from in 1976. he also holds a Masters in Management (Major in Industrial Relations) from the School of Labor and Industrial Relations of the University of the Philippines-Mindanao, which he attained in 1999. From 1977 to 1981, he was an external auditor of Price Waterhouse/Joaquin Cunanan & Co. He held the Branch Manager position at the Butuan and Davao branches of Marsman & Company, Inc. (from 1990 to 1997) and the Davao Branch of Zuellig Inchcape, Inc. (from 1999 to 2000). He was also the Operations Manager (from 2000 to 2007), Senior Operations Manager (from 2007 to 2009) and Logistics Consultant (from January to April 2010) of IDS Logistics (Philippines), Inc.. He served as the Senior Assistant VP - Luzon of Fastcargo Logistics Corporation, Inc. from June 2010 to July 2011. Thereafter, he was appointed as the General Manager of Filipinas Port Services, Inc. for the period from August 16, 2011 to April 15, 2012. Most recently, he was the Logistics Division Head of Sumifru (Phils.) Corporation, Inc. for the period from April 2012 to December 2012.

The Board has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

The Nominations Committee nominated Messrs. Wood and Andes for the position of independent director.

The matter of the nomination and election of Independent Directors form part of a set of guidelines for the Nomination Committee. These guidelines define qualifications, disqualifications and procedures for the screening and short listing of candidates nominated to the Board.

The members of the Nomination Committee are as follows:

1.	Delma P. Bermundo	-	Acting Chairman
2.	Kenneth George D. Wood	-	Member

For this Annual Meeting, the Nomination Committee has screened and evaluated the candidates for Independent Director, using the aforementioned guidelines, pertinent provisions of the Company's Manual on Good Corporate Governance, its By-Laws and relevant rules under the SRC and the SRC Rules.

(b) The Executive Officers

The Company's executive officers are likewise elected annually by the Board and serve for one year and until their respective successors have been elected. None of the officers of the Company own more than 2% of the total outstanding shares of the Company.

The Company's executive officer is Ms. Delma P. Bermundo, Vice President & CFO. Her, age, nationality and business experience is provided above.

(c) Family Relationships

None of the directors, executive officers of the Company or persons nominated to the board of directors are related up to the fourth (4^{th}) civil degree.

(d) Independent Directors

Mr. Kenneth George D. Wood, an incumbent Independent Director of the Company, is neither an officer nor a substantial shareholder of the Company.

(e) Executive Officers and Significant Employees

The business experience of Ms. Delma P. Bermundo is provided above.

(f) Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its directors or executive officers.

(g) Involvement of Directors and Officers in Legal Proceedings

Except as otherwise disclosed herein, the Company is not aware of: (a) any bankruptcy petition filed by or against any business of which any director or executive officers was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time; (b) any conviction by final judgment of any director or senior executive in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any director, executive officer or person nominated to be a director; (c) any director or senior executive being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such director's or executive officer's involvement in any type of business, securities, commodities or banking activities.

(h) Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[5] sale and/or transfer of basic raw materials, work-in-progress inventory, finished goods, and equipment. Related party transactions are always at arms-length.

(i) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

[5] Pertaining to transactions within the Steniel Group.

ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the table below for a summary of the compensation received by the following directors and executive officers: (a) Genesis Goldi D. Golingan - President[6], and (b) Delma P. Bermundo - CFO/Treasurer and Paul Richard T. Camangian, former CFO/Treasurer.

Aggregate Amount of Salaries and Bonuses				
Year	*Salary*	*Bonus*	*Other Compensation*	*Total*
2010	2,706,600	0	0	2,706,600
2011	2,745,600	0	0	2,745,600
2012	2,745,600	0	0	2,745,600
Aggregate Amount of Estimated Compensation for 2013				
Year	*Salary*	*Bonus*	*Other Compensation*	*Total*
2013	1,796,700	0	0	1,796,700

No other directors and executive officers are receiving compensation.

The Company's By-Laws provide that directors as such shall receive compensation for their services as may be approved by stockholders representing at least a majority of the outstanding capital stock. During the current year, the stockholders did not pass any resolution authorizing payment of compensation to the Corporation's directors. However, directors may receive per diem allowances for their attendance at meetings of the board of directors.

The executives are engaged under standard terms and conditions and can be terminated for appropriate cause. These standard terms and conditions are based on what is required by the law. The standard terms and conditions include, among others: (a) a monthly basic salary including any sum receivable as director's fees or other remuneration from any subsidiary; (b) a monthly office subsidy fund; (c) reimbursement for all reasonable expenses properly incurred in the course of his employment; (d) deductions, to the extent permitted by Philippine Labor Laws, from the executive's remuneration of moneys due from him to the Corporation or any subsidiary. The following is a summary of the benefits received by the executives of the Company:

COMPANY CAR	:	Eligibility to enroll in the company car plan program or its cash equivalent.
VACATION LEAVE	:	12 days per year with carry over of unused to the next year. Unused balances convertible to cash up to a maximum of 7days annually.
SICK LEAVE	:	14 days per year. Unused balances convertible to cash.
LIFE INSURANCE	:	24 months with AD & D provision subject to existing plan terms and condition.
HOSPITALIZATION	:	Based on applicable Company health insurance policy.
PERFORMANCE BONUS	:	0 TO 50% of annual pay as determined by the Board on company's overall performance goals.
STOCK OPTION	:	Eligibility to contribute to the management incentive share purchase plan.

[6] As of June 5, 2013.

The standard terms and conditions in the executive employment contracts also include provisions on vacation leave with full pay, provisions on confidentiality of any trade secrets or confidential information relating to or belonging to the Corporation or any subsidiary, and with respect to post-termination obligations on the part of the executive, provisions on non-competition, non-solicitation of customers, and non-solicitation of employees.

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Manabat Sanagustin & Co., CPAs is being recommended for appointment as external auditor for the current year. Following the engagement of Isla Lipana & Co. as the external auditor of the Company for several years, a new external auditor has been nominated and it is reasonably believed that it will not decline to be appointed.

A representative of Isla Lipana & Co. is expected to be present at the stockholders' meeting and shall be allowed to make any statement related to the financial report if he desires to do so, as well as to respond to appropriate questions from the security holders.

Pursuant to SRC Rule 68, Paragraph 3(b)(iv) (Rotation of External Auditors) of the SRC Rules, the Company engaged Ms. Geraldine Hammond-Apostol of Isla Lipana & Co., for the examination of the Company's financial statements for the year 2012. The Company is compliant with the rotation requirement of its external auditor's certifying partner as required under SRC Rule 68 (3)(b)(iv).

Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was Php1,650,000.00 for the year 2012, and Php685,428.80 for the year 2011. These fees cover services rendered by the external auditor for audit of the financial statements of the Company and other services in connection with statutory and regulatory filings for fiscal years 2012 and 2011.

Tax Fees and Other Fees

No other fees were paid to Isla Lipana & Co. for the last two (2) fiscal years.

It is the Company's policy to present audit findings to its Audit Committee which reviews and makes recommendations to the Board on actions to be taken thereon. The Board of Directors passes upon and approves the Audit Committee's recommendations.

The members of the Audit Committee are as follows:

Kenneth George D. Wood	-	Chairman
Delma P. Bermundo	-	Member

Under the Company's Revised Manual on Good Corporate Governance, the Audit Committee is mandated to, prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit scope, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. Further, the Audit Committee is tasked to evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

ITEM 8. COMPENSATION PLANS

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed,

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

Not applicable.

ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES

Not applicable.

ITEM 11. FINANCIAL AND OTHER INFORMATION

The Management Report and the audited consolidated financial statements of the Company for the period ended December 31, 2012, and the interim unaudited financial statements for the period ended September 30, 2013 are attached as **Annexes B, C and D**, respectively. Representatives of the Company's current external auditor, Isla Lipana & Co., are expected to be present at the Annual Meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. The Company has had no material disagreement with Isla Lipana & Co on any matter of accounting principle or practices or disclosures in the Company's financial statements.

ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

On October 22, 2010, the stockholders of the Company approved, in principle, the merger between the Company and Treasure Packaging Corporation ("TPC"). On August 12, 2013, the Board of Directors of the Company approved the withdrawal of the merger application filed with the SEC, following a study of such proposed merger.

ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY

Not applicable.

ITEM 14. RESTATEMENT OF ACCOUNTS

The Company is not taking any action, which involves the restatement of any of its assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. ACTION WITH RESPECT TO REPORTS AND OTHER PROPOSED ACTION

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except the approval of the minutes of the previous annual meeting of its security holders.

Other proposed actions include proposed approval of the Annual Report and audited consolidated financial statements of the Company for the period ended December 31, 2012, and ratification of the following acts, investments, proceedings and resolutions of the Board, and the acts of the officers, management and Board committees since the date of the last annual meeting:

Date of Board Meeting	Action Taken
October 5, 2012	Resignation of Ms. Ruby Andrade as Compliance Officer. Appointment of Ms. Mia M. Ormita as Compliance Officer. Disclosure on formulation of Audit Committee Charter.
January 23, 2013	Approval of Revised Manual on Good Corporate Governance
May 8, 2013	Postponement of the annual stockholders' meeting to a later date to be determined by the Board.
June 5, 2013	Resignation of Mr. Genesis Goldi D. Golingan as President/CEO, Director.
June 28, 2013	Resignation of Ms. Victoria R. Tamayao as Independent Director.
August 12, 2013	Withdrawal of the Application for 2-Way Merger of the Company and TPC.
September 11, 2013	Amendment of Articles of Incorporation extending the corporate term of the Corporation for another 50 years
November 12, 2013	Setting of annual stockholders' meeting on December 26, 2013 and the Record Date on November 26, 2013.

The approval of the minutes of the last annual stockholders' meeting held on September 17, 2012, as set forth in **Annex A**, the Annual Report and audited consolidated financial statements for the period ended December 31, 2012, and ratification of all acts, proceedings and resolutions of the Board, and the acts of the officers, management and Board committees since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote thereon.

ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

Not applicable.

ITEM 18. OTHER PROPOSED ACTION

The following actions are also proposed to be taken up during the Annual Meeting:

1. Approval of the minutes of the previous annual stockholders' meeting held on September 17, 2012
2. President's report
3. Approval and ratification of all acts of the Board of Directors and Management during their term of office
4. Election of Directors
5. Appointment of External Auditor

ITEM 19. VOTING PROCEDURES

(a) Matters for Stockholders' Approval

A stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. A proxy must be acknowledged before the Secretary or a Notary Public and must be filed with and received by the Secretary not later than ten (10) days before the date of the meeting. A proxy may be revoked by a stockholder either by means of a written instrument presented and recorded with the Secretary at least six (6) days prior to the meeting or by personal presence at the meeting.

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the Amended Articles of Incorporation of the Company.

Under the Corporation Code, the affirmative vote of stockholders representing at least a majority of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the By-laws of the Company.

Unless required by law or demanded by a stockholder present or represented by proxy at the meeting and entitled to vote thereat, voting will not be done by ballot and shall be conducted by a show of hands.

(b) Election of directors

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors and he may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them according to the same principle among as many candidates as he sees fit. The procedure for the nomination and election of the Company's Independent Directors shall comply with SRC Rule 38.

The current external auditor of the Company, Isla Lipana & Co., is authorized to count votes on any matter properly brought to the vote of the stockholders, including the election of directors.

The following items will be included in the agenda for the Annual Meeting:

1. Call to order
2. Proof of notice and determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on

September 17, 2012

4. President's report
5. Approval and ratification of all acts of the Board of Directors and Management during their term of office
6. Election of Directors
7. Appointment of External Auditor
8. Other matters
9. Adjournment

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig, Metro Manila on November 27, 2013.

STENIEL MANUFACTURING CORPORATION
(Issuer)

Mia Ormita
Mia M. Ormita
Corporate Secretary

ANNEX "A"

MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS
OF

STENIEL MANUFACTURING CORPORATION

Held on September 17, 2012 at 1:00 p.m.
at Gateway Business Park, Brgy. Javalera
General Trias, Cavite, Philippines

STOCKHOLDERS PRESENT:

	No. of Shares	Percentage
Stockholders Present and Represented	844,671,616	84.47%
Total shares issued and outstanding	1,000,000,000	100.00%

PROCEEDINGS

I. CALL TO ORDER

The Chairman, Mr. Nixon Y. Lim, called the meeting to order and presided over the same. Atty. Mia M. Ormita, Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that notices of the meeting were sent to all the stockholders in accordance with the By-Laws of the Corporation. The Corporate Secretary also certified that stockholders representing 84.47% were present in person or by proxy and that a quorum was therefore present for the transaction of business. The meeting was then lawfully convened.

III. APPROVAL OF MINUTES OF THE PREVIOUS MEETING OF STOCKHOLDERS HELD ON OCTOBER 14, 2011

The Chairman presented for approval the Minutes of the Annual Stockholders' Meeting held on October 14, 2011, which were appended to the Definitive Information Statement sent to the stockholders of record. Upon motion made and duly seconded, the stockholders unanimously approved the Minutes of the Stockholders' Meeting on October 14, 2011.

IV. PRESIDENT'S REPORT AND PRESENTATION AND APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2011

Mr. Genesis Goldi D. Golingan, President of the Corporation, gave a report on the results of operations of the Corporation for the fiscal year 2011 and the Audited Financial Statements as of December 31, 2011.

Upon motion made and duly seconded, the stockholders unanimously approved the following resolution:

> "**RESOLVED**, that the stockholders of the Corporation hereby approve the audited financial statements of the Corporation for the fiscal year ending December 31, 2011 as prepared by Isla Lipana & Co."

V. RATIFICATION OF THE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT FOR THE FISCAL YEAR 2011-2012

The Chairman informed the stockholders that the next item for approval is the acts, transactions and proceedings of the Board of Directors, committees and Management for the fiscal year 2011-2012. Said acts, transactions and proceedings are specified in the Definitive Information Statement sent to the stockholders of record. Upon motion made and duly seconded, the stockholders unanimously approved and ratified the acts, transactions and proceedings of the Board of Directors, committees and Management of the Corporation for the fiscal year 2011-2012.

VI. ELECTION OF DIRECTORS

The Corporate Secretary announced the nominees to the board of directors. Upon motion made and duly seconded, the stockholders unanimously voted for the election of the directors of the Corporation for the ensuing fiscal year of 2012-2013:

Nixon Y. Lim
Genesis Goldi D. Golingan
Delma P. Bermundo
Esteban C. Ku
Mia M. Ormita
Kenneth George D. Wood, Independent Director
Victoria R. Tamayao, Independent Director

VII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman opened the floor for the nomination and appointment of the Corporation's External Auditor. Upon motion made and duly seconded, the stockholders unanimously passed the following resolutions:

> "**RESOLVED**, that Isla Lipana & Co. is hereby appointed as the external auditor of Steniel Manufacturing Corporation (the '**Corporation**') for the fiscal year 2012-2013.
>
> "**RESOLVED, FURTHER**, that any one (1) of the President, Treasurer or any of the directors of the Corporation be, as he is hereby authorized, to negotiate the terms of the engagement of Isla Lipana & Co. and to sign, execute and deliver any and all documents and to do any and all acts necessary to implement the foregoing resolution."

VIII. ADJOURNMENT

There being no other matters to be discussed, the meeting was, upon motion made and duly seconded, adjourned.

Certified Correct:

Mia Ormita

Mia M. Ormita
Corporate Secretary

Attested:

Nixon Y. Lim
Chairman

"ANNEX "B"

MANAGEMENT REPORT

A. Consolidated Audited Financial and Interim Unaudited Financial Statements

The audited consolidated financial statements of Steniel Manufacturing Corporation (the "**Company**") and its subsidiaries (together with the Company, the "**Steniel Group**") for the year ended December 31, 2012, and the interim unaudited financial statements for nine months ended September 30, 2013 are attached as **Annexes C and D** respectively, to form an integral part of this Management Report.

B. Information Concerning Disagreements with Accountants on Accounting and Financial Disclosure

During the three most recent fiscal years, or any subsequent interim period, the independent accountant has not resigned, was not dismissed, and did not otherwise cease performing services for the Company. The Company has not had any disagreements with its independent accountant on any matter of accounting and financial disclosures.

The financial statements for the year ended December 31, 2012, including the notes thereto, were audited by Isla Lipana & Co.

C. Management's Discussion and Analysis or Plan of Operations

(1) For the nine months ended September 30, 2013

Results of Operations

Consolidated sales revenue for the nine months ending September 30, 2013 reached ₱459,975 million with an equivalent volume of 11,042 metric tons (**MT**). The revenue for the period being reported is 6% higher than the revenue for the same period last year of ₱433,512 million with an equivalent volume of 13,955 MT. The improvement in revenue was mainly due to improvement in all-in sales volume and an increase in actual all-in Average Selling Price (**ASP**).

The Company reported a gross profit (**GP**) for nine months ending September 30, 2013 of ₱47,626 million (GP rate – 10%). This is higher than last year's nine months GP of ₱1,237 million (GP rate –.0%) mainly due to increase in all-in ASP as discussed in the foregoing. With respect to manufacturing costs, the cost per MT of paper for the nine months period is unfavorable as compared with those for the same period in 2012. Similarly, the cost per MT of direct labor was also unfavorable by about 8% during the nine months operation. Manufacturing overhead costs in absolute peso amount decreased by 22% during the period as compared with the same period of last year.

Operating expenses on a consolidated basis for the current period decreased by 22% to ₱9,939 million as compared to last year's ₱12,690 million. Continuing efforts are being implemented to control costs throughout the plants. Overall, the Company reported a loss from operations for the current quarter of ₱123,414 million compared to last year's same period loss from operations of ₱1,670 million.

As mentioned in the preceding, the creditors granted the Company a two-year grace in the payment of interest commencing on the restructuring date. Thus, there are no financing charges recognized during the period reported.

Operating Plans

As in the past, the Company's key strategies are focused towards growing the existing market base, maintaining a sound financial position, and improving manufacturing efficiencies to enhance competitive standing particularly of the plant in Davao.

Financial Condition

Consolidated current assets as at September 30, 2013 totaled ₱757,355 million while current liabilities as at the same date totaled ₱456,427 million. The increase in current assets as at current quarter-end as compared with the year-end balance is significantly attributed to lower inventory level of paper, a major raw material. Accounts payable and accrual balances as at September 30, 2013 were maintained at its level with the same period last year. With respect to long-term borrowings, there is no change between the balances during the current quarter as compared with those of year-end 2012. Working capital ratio for the current quarter is 1.52. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

There are no significant capital expenditures during the period. Neither is there any significant capital spending anticipated in the immediate future.

There are no events that will trigger direct or contingent financial obligation that is material to the Company and there are no off-balance sheet transactions or arrangements with any unconsolidated entity or other person during the period being reported. The Company adopts strict controls in managing working capital requirements including the implementation of programs to further improve collection turnover and optimize inventory levels. In view of the foregoing, consolidated total assets as at current quarter-end amounted to ₱892,796 million as compared to ₱839,481 million as at December 31, 2012.

Key Performance Indicators

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) cost of goods sold, c) operating expenses, d) income from operations, and e) financial ratios. Sales revenue is measured both in MT and ASP. Total cost of goods sold for the period is expressed in peso per MT basis while both operating expenses and income from operations are expressed in absolute peso amounts. These indicators are monitored on a periodic basis and are compared against targets set at the beginning of each year.

Revenues. Consolidated sales revenue for the third quarter of 2013 reached ₱190.947 million with an equivalent volume of 4,590 MT. The revenue for the period is 49% higher than the actual revenue of ₱128.549 million due to the increase of volume by 20% at 749 MT of the same period last year. Of the total volume, all sales in volume of 3,623MT is 73% higher than 1,528 MT of the same period last year with higher ASP.

Cost of goods sold. The Company reported a GP for the current period of ₱26.580 million (GP rate of 14%) versus an actual GP for the same period last year of ₱1.244 million. This is mainly due to the 18% improvement in total sales volume and improvement in ASP of total all-in sales. The decrease of 4% on manufacturing overhead compared to same period last year contributed as well.

Operating expenses. Operating expenses on a consolidated basis for the current quarter of ₱3.366 million at ₱733 per MT is 16% better than the same period last year of ₱758 per MT.

Income/(loss) from operations. Overall, the Company reported an income from operations for the current quarter of ₱23,214 million compared with the same period last year with actual loss of ₱1,670 million. Please refer to the reasons cited in the foregoing for the related explanations.

Financial ratios. Consolidated current assets as at September 30, 2013 totaled ₱757,355 million while current liabilities as at the same date totaled ₱456,427 million. The increase in current assets as at current 3rd quarter-end as compared with the year-end balance of 717,881 was significantly attributed to higher revenues brought about by improved sales volume and collection. Consequential to this, cash and short-term investments also increased by 104% compared with the year-end balance. Inventory level of paper, a major raw material slightly decreased compared to the same period last year. Accounts payable balances recorded an increase as at September 30, 2013 totaled ₱21,453 million compared to year end balance. With respect to long-term borrowings, there is no change between the balances during the current quarter as compared with those of year-end 2012. Working capital ratio as at September 30, 2013 is 1.7. Working capital ratio is computed as the ratio of current assets over current liabilities. debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

(2) For the fiscal year ended December 31, 2012

Results of Operations

Consolidated sales revenue for the current year totaled ₱580.4. million with an equivalent volume of eighteen thousand seven (18,007) tons. Total revenue decreased by 5% and sales volume decreased by 1% as compared with those of last year's ₱611.3 million with equivalent volume of eighteen thousand two hundred eighty one (18,281) tons. This was mainly attributed to the sluggish banana market as the restrictions from importations affecting the banana export industry still exist coupled by the devastation brought by typhoon Pablo. This shortfall was partly offset by the improvement in 2012 annual tolling volumes by 13.0%against those in 2011 With respect to the ASP, the ASP per ton for all-in business is maintained at its level with those of last year's. On the other hand, the ASP per ton for tolling improved by 5% due to further weakening of the peso against the dollar.

The Steniel Group's GP for the current year of ₱33.8 million (GP rate – 6 %) is higher compared to 2011's GP of ₱13.0 million (GP rate – 2.%) The cost per ton of paper, which constitute a significant portion of cost of goods sold, improved by 17 % in 2012 as compared with those in 2011. In addition, further improvement in direct labor by 3% was reported during the period. Adversely, other raw materials and factory overhead cost per ton of paper increased by 15% and 2% respectively. Continued efforts to improve efficiencies in order to reduce manufacturing costs are being implemented at the plant.

Group wide operating expenses during the year of ₱37.2 million is higher than that of last years' ₱36.7 million. The difference is attributed to the bad debts expense and representation expense recognized in 2012 Finally, delivery expense during the year is also lesser due to decreased volume.

Other operating income during the year totaled ₱10.294 million as compared with ₱311.9 million in 2011. The decrease is primarily due to the condonation of borrowings by the creditors in 2011.

Overall, the Company reported a consolidated income from operations in 2012 of ₱6.8 million as compared with last year's consolidated income from operations of Php288.2 million. The decrease is mainly due to the condonation of the capitalized accrued interest, which forms part of the other operating income in 2011.

There are no financing charges during the current year pursuant to the two-year grace on interest payment as provided for in the Amended Agreement.

Financial Position

Total current assets as at December 31, 2012 totaled ₱717.9 million as compared with ₱725.8 million in 2011. Inventories, particularly raw materials, decreased significantly during the current reporting year in anticipation of an increase in all-in volume in 2013. Conversely, receivables decreased mainly due to lower revenue during the current year. Meanwhile, total non-current assets totaled ₱121.6 million as at current year-end against last year's ₱132.7 million. The decrease mainly came from utilization of excess input tax and offset partially by some additions to property and equipment.

The Steniel Group's consolidated current liabilities as at current year-end totaled ₱435 million as compared with those in 2011 of ₱463.6 million. The decrease is attributed mainly to efforts of bringing down inventories. With regard to non-current liabilities, the decrease to ₱573.4 million in 2012 from ₱574.6 million in 2011 is mainly due to the partial payment of long term borrowings from the proceeds of assets held for sale and settlement of retirement benefits

Total assets as at year-end 2012 totaled ₱839.5 million (2011 - ₱858.5 million). In view of the foregoing discussions, the Steniel Group's current ratio during the year and last year's remained steady at 1.6 (2011- 1.6). The debt-to-equity ratio in 2007 is 10.8. Debt-to-equity ratio is not computed in 2012 and 2011 because of the negative equity balances as at year-end.

Plans and Strategies

For 2013, management will continue to focus its major strategies towards marketing, maintaining a sound financial position, improving operating efficiencies to enhance competitive standing, and optimizing machine utilization.

Key Performance Indicators

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) cost of goods sold, c) operating expenses, d) income from operations, and e) financial ratios. Sales revenue is measured both in MT and ASP. Total cost of goods sold for the period is expressed on peso per MT basis while both operating expenses and income from operations are expressed in absolute peso amounts. These indicators are monitored on a periodic basis and are compared against targets set at the beginning of each year.

Revenues. Consolidated sales revenue for the year 2012 reached ₱580.5 million with an equivalent volume of 18,007MT. The revenue for the period is higher than the budgeted revenue *of Php468.8 with budgeted volume of 17,902MT. The total actual revenue and volume of all-in* and tolling businesses are higher than budget because our customers' banana harvests and tuna catches exceed targets while maintaining the ASP of all-in business and tolling ASP for the current year compared to budget.

Cost of goods sold. GP for the current year of Php 33.8 million (GP rate - 6 %) is higher than budget's ₱23.7 million (GP rate - 5%). The increase in gross profit is primarily due to lower paper cost per MT, which accounts for majority of raw material costs. This improvement was partially offset by higher direct labor and manufacturing overhead in absolute peso amounts as compared against budget.

Operating expenses. Operating expenses on a consolidated basis for the current reporting period of ₱37.2 million is higher than budget of ₱27.7 million. The increase in operating expenses is primarily a result of increase in selling and marketing promotions related to volume growth and other administrative expenses, partially offset by rent expense charged to cost of sales and services.

Income/(loss) from operations. Overall, the Company reported an income from operation for the year of Php6.8 million, lower than the budgeted income of ₱7.6 million.

Financial ratios. Consolidated current assets as at December 31, 2012 totaled ₱717.9 million while current liabilities as at the same period totaled ₱435 million. Working capital ratio for the same period is 1.6, which is within budgeted level. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for period because of the negative equity balance. The year-end balances of long-term borrowings was reduced from ₱568.4million to ₱568.3million

D. DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE COMPANY'S BUSINESS AND ITS SUBSIDIARIES

(1) Description of Business.

The Company was incorporated in 1963 under Securities and Exchange Commission ("SEC") No. 23736. On September 11, 2013, the SEC approved the extension of the corporate term of the Company for another 50 years. The Company has the following subsidiaries:

Name of Subsidiary	Date of Registration	SEC Registration No.
STENIEL CAVITE PACKAGING CORP.[1]	Oct. 21, 1993	AS093-8725
TREASURE PACKAGING CORPORATION	May. 23, 1994	A5094
STENIEL MINDANAO PACKAGING CORP.	June 30,1995	AS095-6250

(2) Nature of Business

The Steniel Group is engaged in the manufacture of industrial packaging materials with its revenues coming mainly from the manufacture and sale of corrugated boards and boxes. The Steniel Group's revenues are derived from sales within the Philippines. Prior to 2008, the Steniel Group had three operating subsidiaries nationwide that produce their own corrugated boards for conversion to finished boxes. These facilities are located in Cavite, Cebu and Davao and each is fully equipped with corrugator and converting machines. The finished products are mainly used for packaging consumer goods, fresh fruits, canned sardines, furniture and electronic goods. Marketing activities are coordinated centrally for most of the Company's high volume customers. However, each of the operating subsidiaries is individually responsible for sales and marketing

[1] On March 2, 2012, the SEC approved the merger of Steniel Cavite Packaging Corporation, Metroplas Packaging Products Corporation, Metro Paper and Packaging Products, Inc. and Steniel Carton Systems Corporation, with Steniel Cavite Packaging Corporation as the surviving corporation.

activities directed at their regional customers.

The business operations of Steniel Cavite Packaging Corporation ("SCPC") gradually slowed down in 2006. SCPC's Board of Directors approved the temporary cessation of the plant's operation on March 27, 2007 in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to third parties.

On August 20, 2008, Treasure Island Industrial Corporation ("**TIIC**"), owner of office space and warehouses, which Treasure Packaging Corporation ("**TPC**") leases in Cebu, filed a case for ejectment, mandatory injunction and damages against TPC in the Municipal Trial Court Branch 2 in Mandaue City due to unpaid rental. On December 3, 2008, a decision was rendered by said court finding that TIIC's complaint is meritorious and ordered TPC to vacate the subject premises and improvements and restore TIIC's possession thereof. Consequently, starting September 2008, TPC temporarily ceased its operations and separated all its employees. The Board formally approved the cessation of TPC's operation on March 10, 2009.

Effective year-end 2008, only the manufacturing facility in Davao of Steniel Mindanao Packaging Corporation ("**SMPC**") remains operational. The machines and equipment of the facility in Cavite remain intact while those in Cebu were sold, with the proceeds from the sale used to pay off separation costs and certain taxes.

At present, the Steniel Group has close to fifty (50) active customers, a number of which belong to the top one thousand (1,000) corporations in the Philippines. This includes companies in the agriculture, tuna, food, and other consumer goods industries. It is estimated that approximately 75% of total revenues come from the Steniel Group's top ten (10) customers and there is no single customer which accounts for more than 10% of total sales.

There are close to 40 competitors in the corrugated packaging business nationwide but there are only very few which are of the same size as the Steniel Group. The others operate on a small-scale basis and are mostly family-owned corporations. In view of this, there are no available statistics that are reliable and accurate regarding the industry.

The basic raw material of the Steniel Group is paper, which accounts for about 70% of total cost of sales. Majority of the paper inventory is imported from Asia, America and Europe although the Steniel Group also procures from local paper mills. Other raw materials, which consist mainly of inks, tapes, and glue, are sourced from local suppliers. The Steniel Group does not have any existing long-term contracts with its suppliers as at year-end 2012.

(3) Transactions with and/or Dependence on Related Parties

Transactions with related parties in the day-to-day course of business include inter-company sale and/or transfer of inventory and equipment. Related party transactions are always made at arm's-length.

(4) Total Number of Employees

The Steniel Group employs a total number of 86 regular and casual employees as at 31 December 2012 broken down as follows:

Senior officers	1
Managers	5

Supervisors and rank & file	80
Total	86

SMPC, which is the sole operating company, has an employees' union. As at year-end 2011, said employee's union had 27 members. The collective bargaining agreement (CBA) will expire in February 2015. A CBA to update economic-related benefits for the remaining two (2) years of the CBA was successfully concluded on June 21, 2013. The relationship between local management and the union is considered pleasant and cordial. The Steniel Group has not experienced any employee strikes in almost 20 years.

(5) Patents, Trademarks Copyrights and Licenses

Not applicable.

(6) New Products and Existing or Probable Government Approval for Products or Services

Not applicable.

(7) **Cost and Compliance with Environmental laws**

The Steniel Group adopts a proactive approach in respect of environmental laws. All its facilities were constructed with high standards and in compliance with the basic requirements of existing environmental regulations. It is not feasible at the moment to determine the incremental cost of additional compliance with new regulations, if there are any.

(8) Bankruptcy, Receivership or Similar Proceedings

As discussed in Note 1 - General information/Status of operations, in the Notes to 2012 Consolidated AFS, due to the working capital drain experienced by the Steniel Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Steniel Group found it difficult to sustain further payments of its bank debts while at the same time ensuring continued operations. On May 24, 2006, the lending banks declared the Company in default for failure to meet its quarterly principal amortizations and interest payments since March 2004.

In November 2007, the Company including certain subsidiaries and an associate separately filed individual Petitions for Rehabilitation with the respective Regional Trial Courts to ensure continued business operations and enable the Steniel Group to generate funds to eventually pay off its obligations.

On July 7, 2008, the Regional Trial Court in Cavite issued an Order dismissing the Petition and lifting the Stay Order based on the comments filed by the creditors as to the deficiencies in the Rehabilitation Plan filed by the Company. Consequently, on August 19, 2008, the Company, including certain subsidiaries and an associate, responded by separately filing with the Court of Appeals an individual Petition for Review with Application for the Issuance of a Writ of Preliminary Injunction and/or Temporary Restraining Order. The Petition for Review was not passed upon on account of incomplete payment of docket fees and lack of authority to represent the Company in the appeal, and was denied. Said denial was affirmed by the Supreme Court in its Resolution dated June 17, 2009. A motion for reconsideration was filed but was eventually denied in the Supreme Court's Resolution dated October 14, 2009 for having been filed beyond the reglementary period. The dismissal of the Petition has thus achieved finality.

In 2009, discussions commenced with the major creditors/lenders to restructure the outstanding loans. Subsequently, on October 15, 2010 the Company and the creditors/lenders signed the Amended and Restated Omnibus Agreement. The restructuring of the loan finally resolved the default situation. The essential elements of the Amended and Restated Omnibus Agreement are summarized below:

- The outstanding principal and accrued interest expense as of September 30, 2010 is restructured for 25 years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.
- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in the Company's land holding entity, Steniel Land Corporation ("SLC"), (b) identified idle assets of the Company and its subsidiaries, and (c) by way of conversion into equity through the issuance of the Company's unissued capital stock.
- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.
- Restructured outstanding principal will be subject to interest of 6% per annum for the 15 years and 8% per annum from the 16th year.
- The restructured accrued interest expense will be subject to interest of 8% per annum.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Steniel Group.
- All other costs and expenses of restructuring, including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Steniel Group; and
- Other conditions include:
  - (i) Lenders' representative to be elected as director in the Company and in each of its subsidiaries.
  - (ii) A 5-year Business Plan for the Company's operating subsidiary including the execution of raw material supply contracts.
  - (iii) A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
  - (iv) No dividend declaration or payment until the restructured obligations is fully paid.
  - (v) No new borrowing, unless with consent of the lenders.
  - (vi)No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
  - (vii) Creditors' consent for change in material ownership in the Steniel Group and mortgagors.
  - (viii) Standard covenants, representations and warranties.

The dacion en pago of the Steniel Group's idle machines and the equity conversion through the issuance of the Company's capital stocks have been completed as at December 31, 2010 and which resulted to a gain on disposal of property and equipment amounted to Php30.3 million. The dacion en pago transaction reduced outstanding principal amount by ₱122 million while the equity conversion reduced outstanding accrued interest by ₱248 million. The dacion en pago of all the shares in SLC and the Steniel Group's buildings for a total value of ₱290 million are still under negotiations with buyers on meeting the regulatory requirements on transfer of assets as at reporting date. The change of management during the end of reporting period also caused the delay of the *dacion en pago*. The *dacion en pago* is expected to be completed in the first quarter of 2014.

On December 2, 2011, the major creditors/lenders of the Company agreed to waive the payment of interest for the first two years of the loan commencing of the restructuring date, to correspond to the principal repayment as stated in the Amended and Restated Omnibus Agreement. Hence, interest payments on each interest payment date shall be made in accordance with the Amended and Restated Omnibus Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two-year grace period. In relation to this, on March 1, 2012, the accrued interest, which was capitalized as part of the loan principal in 2010 in accordance with the Amended and Restated Omnibus Agreement, was also condoned by its major creditors effective December 31, 2011.

(9) Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets Not Within the Ordinary Course of Business

As discussed in Item D(8) above, certain idle assets of the Steniel Group were transferred in 2010 to the creditors/lenders via dacion en pago pursuant to the Amended and Restated Omnibus Agreement. The Company filed an application with the SEC to absorb TPC in 2011. However, during its meeting held on August 12, 2013, the Board of Directors of the Company approved the withdrawal of the merger application filed with the SEC, following a study of such proposed merger. Said withdrawal has likewise been approved by the Board of TPC.

On the other hand, on March 2, 2012, the SEC approved the merger of SCPC, Metroplas Packaging Products Corporation, Metro Paper & Packaging Products, Inc. and Steniel Carton Systems Corporation, with SCPC being the surviving corporation.

(10) Cost of Research and Development Activities

Not applicable.

(11) Major Risks and Management of the Risks

Further to the discussion in Item D(2) above, about 30 market competitors are located in Luzon. Of these competitors, only about 5 are of the same size as the Company while the rest are small to medium-sized family businesses. The remainder is spread across the Visayas and Mindanao. Competition on the basis of pricing is difficult particularly since customers are price-sensitive. Since the subsidiaries and the Company are professionally run, this translates into bigger overhead costs in comparison with most of its competitors. The Company manages these risks by avoiding competing on the basis of price. The Company markets the entire Steniel Group to the customers as a complete packaging solutions provider. It markets itself as a business partner by closely coordinating with the customers from development to the delivery stage to ensure that the customers' appropriate packaging requirements are met.

SMPC, a subsidiary of the Company located in Davao, is highly reliant on bananas and tuna for its business. Since it is engaged in a highly agricultural-based industry, it is prone to erratic weather conditions. This risk is entirely out of the control of the Company. This risk is managed through the development of other substitute markets.

The Company and the creditors/lenders signed the Amended and Restated Omnibus Agreement on October 15, 2010. The restructuring of the loan finally resolved the default situation. The essential provisions of the Amended and Restated Omnibus Agreement are discussed in detail in Item D(8) above and in Note 1 - General information/Status of operations, in the Notes to the 2011 Consolidated AFS.

Please refer also to Note 3 - Financial risk management, of the Notes to the 2011 Consolidated AFS for additional discussions.

E. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Please refer to Item 5 of the Information Statement for a discussion on the identity of each of the Company's Directors and executive officers, their principal occupation or employment, and the name and principal business of any organization by which such directors and executive officers are employed.

F. MARKET PRICE, SHAREHOLDER AND DIVIDEND INFORMATION

(1) Market Price

The Company's common shares are listed at the Philippine Stock Exchange ("PSE") and a summary of the high and low share prices by quarter for the three-year period ended 31 December 2006 is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2003 - high	0.100	0.140	0.200	0.210
- low	0.100	0.110	0.120	0.130
2004 - high	0.180	0.150	0.150	0.150
- low	0.130	0.100	0.100	0.120
2005 - high	0.260	0.180	0.150	0.150
- low	0.120	0.125	0.110	0.110
2006 - high	0.780	0.600	0.260	No transaction
- low	0.110	0.200	0.250	

The PSE implemented a temporary trading suspension on the Company's shares following a disclosure dated July 5, 2006 relative to the authorization granted by the shareholders of the Company to enter into rehabilitation proceedings. On April 5, 2011, the Company's Board of Directors approved the filing of a request for lifting of the trading suspension on the Company' shares. On said date, a request for the lifting of trading suspension was filed and is currently pending with the PSE.

(2) Holders

As of September 30, 2013, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Steniel (Netherlands) Holdings B.V.	Dutch	720,848,912	72.08%
2	Roxburgh Investments Limited	BVI	123,817,953	12.38%
3	PCD Nominee Corporation	Filipino	86,106,583	8.61%
4	Valmora Investment & Mgt. Corp.	Filipino	10,443,860	1.04%
5	Rustico &/or Lolita Garingan	Filipino	2,097,276	0.21%
6	Delfin R. Maceda	Filipino	1,980,000	0.20%

7	PCD Nominee Corporation	Non-Filipino	1,900,544	0.19%
8	Calvin C. Chua	Filipino	1,828,500	0.18%
9	Sally C. Ong Pac	Filipino	1,450,000	0.15%
10	Leonardo T. Siguion-Reyna	Filipino	1,151,839	0.12%
11	Ella C. Santiago &/or Manuel A. Santiago	Filipino	1,100,000	0.13%
12	Christopher Chua	Filipino	1,000,000	0.10%
13	Estate of Mamerto Endriga	Filipino	906,011	0.09%
14	Stanley C. Sy	Filipino	750,000	0.08%
15	Manuel T. Carmona	Filipino	727,879	0.07%
16	Felisa Y. Tan	Filipino	582,000	0.06%
17	Gabriel Panlilio &/or Maritess Panlilio	Filipino	542,500	0.05%
18	Pua Yok Bing	Filipino	512,000	0.05%
19	Nicolas Schoenenberger	Swiss	509,000	0.05%
20	Knights of Colombus Fraternal Assoc., Inc.	Filipino	468,374	0.05%

The Company's securities consist of issued and outstanding common shares.

(3) Dividends

The Company has not declared any dividends on its shares in the four (4) most recent fiscal years and any subsequent interim period for which financial statements is required to be presented by SRC Rule 68.

The By-Laws of the Company state that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine in accordance with law and applicable rules and regulations.

Pursuant to its By-Laws, the Board of Directors of the Company has the power to determine whether any part of the Company's surplus profits available for declaration as dividends shall be declared as dividends, subject to the provisions of law, and to provide that the dividends thus declared shall be applied in payment of new shares to be issued to the stockholders entitled to said dividends, which new shares shall be taken out of the authorized and unissued capital stock of the Company, unless said stockholders advise the Company in writing that they opt to have said dividends paid in cash.

(4) Recent Sales of Unregistered Securities

On October 15, 2010, the Company issued to Roxburgh Investments Limited ("**Roxburgh**") 123,817,953 common shares at an issue price of ₱2.00 per share by way of conversion of debt into equity. As discussed in Item D(8), the Company's loans were restructured in 2010. The shares were issued to Roxburgh to settle a portion of the loans under the restructuring agreement. The issuance is an exempt transaction pursuant to Section 10.1(b) of the Securities Regulation Code.

G. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

The Company complies with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with its Revised Manual on Good Corporate Governance (the "**Manual**"). To ensure adherence to corporate principles and best practices, the Board of Directors appointed Ms. Mia M. Ormita as Compliance Officer whose responsibility is, among others, to monitor compliance with the provisions and requirements of the Manual.

Compliance with the Company's Manual as well as relevant SEC circulars on Corporate Governance are being monitored to ensure full compliance with adopted leading practices on good corporate governance. There were no reported deviations from the Company's Manual by any member of the Board, management, officers and employees of the Company. Said Manual is reviewed from time to time to strengthen adherence and adopt additional appropriate provisions for the Company's business objectives.

There is no immediate plan to improve the corporate governance of the Company since current practices and procedures are satisfactory and compliant with law.

H. UNDERTAKING TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A

THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2012 (SEC FORM 17-A) TO ITS STOCKHOLDERS UPON RECEIPT OF A WRITTEN REQUEST ADDRESSED TO THE CORPORATE SECRETARY, c/o SUITE 2401 THE ORIENT SQUARE, F. ORTIGAS, JR. ROAD, ORTIGAS CENTER, PASIG CITY.

ANNEX "C"

STENIEL MANUFACTURING CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of Steniel Manufacturing Corporation and Subsidiaries (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended December 31, 2012 and 2011 in accordance with the prescribed financial reporting framework indicated including the additional components attached therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements and submits the same to stockholders.

Isla Lipana & Co., PricewaterhouseCoopers (PwC) member firm, the independent auditors appointed by the stockholders for the period December 31, 2012 and 2011 has examined the consolidated financial statements of the Company in accordance with Philippines Standards on Auditing, and in its report to the board of directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following:

Nixon Y. Lim
Chairman

Delma P. Bermundo
Vice President and Chief Finance Officer

Signed this ____ day of NOV 2 6 2013

SUBCRIBED AND SWORN to before me this November 26, 2013 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	TIN 177-748-507
Delma P. Bermudo	TIN 116-179-192

Doc. No. 176 ;
Page No. 37 ;
Book No. I ;
Series of 2013

ENRICO ERROL D. ANGELES
Appointment No. 254 (2013-2014)
Notary Public for Pasig City
Until December 31, 2014
Attorneys Roll No. 61281
Suite 2401 The Orient Square,
F. Ortigas Jr. Road, Ortigas Center Pasig City
PTR No. 8413058; 01.04.13; Pasig City
IBP No. 917058; 01.03.13; RSM

Exhibit "II"

COVER SHEET

2 3 7 2 6

S.E.C. Registration Number

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

GATEWAY BUSINESS PARK JAVALERA, GEN. TRIAS, CAVITE

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

ELIZA MACURAY

Contact Person

(046) 4330066

Company Telephone Number

1 2 | 3 1
Month | Day
Fiscal Year

A F S

FORM TYPE

Last Friday of March

Month | Day
Annual Meeting

Secondary License Type, If Applicable

C R M

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks – pls. use black ink for scanning purpose

Steniel Manufacturing Corporation

Consolidated Financial Statements with Supplementary Schedules
For the Securities and Exchange Commission
December 31, 2012

Table of Contents

First Section

Second Section

Additional Component of Financial Statements

FIRST SECTION

Steniel Manufacturing Corporation
Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2012
(All amounts in Thousand Philippine Peso)

Items	Amount
Unappropriated Retained Earnings (Accumulated Deficit), beginning	(1,782,757)
Adjustments: *(see adjustments in previous year's Reconciliation)*	-
Unappropriated Retained Earnings (Accumulated Deficit), as adjusted, beginning	(1,782,757)
Net Loss based on the face of AFS	(15,145)
Less: Non-actual/unrealized income net of tax	-
• Equity in net income of associate/joint venture	
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	
• Unrealized actuarial gain	
• Fair value adjustment (M2M gains)	
• Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	
Add: Non-actual losses	-
• Depreciation on revaluation increment (after tax)	
• Adjustment due to deviation from PFRS/GAAP – loss	
Loss on fair value adjustment of investment property (after tax)	
Net Loss Actual/Realized	(15,145)
Unappropriated Retained Earnings (Accumulated Deficit), as adjusted, ending	(1,797,902)

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Steniel Manufacturing Corporation
Gateway Business Park
Javalera, Gen. Trias, Cavite

We have audited the accompanying consolidated financial statements of Steniel Manufacturing Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of total comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

BUREAU OF INTERNAL REVENUE
RECEIVED
NOV 19 2013

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Isla Lipana & Co.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which states that the Group has an accumulated deficit as at December 31, 2012 of P1,583,579 thousand (2011 - P1,594,335 thousand and 2010 - P1,882,304 thousand) and capital deficiency position as at December 31, 2012 and 2011 of P168,947 thousand and P179,703 thousand, respectively. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast substantial doubt about the Group's ability to continue as a going concern. Management plans regarding this matter are disclosed in Note 1. The accompanying financial statements do not include adjustments that might result from the outcome of this uncertainty. We have performed audit procedures to evaluate management's plans for future actions as to their likelihood to improve the situation and as to their feasibility under the circumstances as described in Note 1. Our opinion is not qualified in respect of this matter.

Isla Lipana & Co.

Geraldine Hammond-Apostol
Partner
CPA Cert. No. 83512
P.T.R. No. 0007723; issued on January 2, 2013 at Makati City
SEC A.N. (individual) as general auditors 0108-AR-3, Category A; effective until January 29, 2016
SEC A.N. (firm) as general auditors 0009-FR-3; effective until August 15, 2015
T.I.N. 112-071-151
BIR A.N. 08-000745-34-20100; issued on April 4, 2013; effective until April 3, 2016
BOA/PRC Reg. No. 0142, effective until December 31, 2013

Makati City
October 22, 2013

pwc

Isla Lipana & Co.

Statements Required by Rule 68,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
Steniel Manufacturing Corporation
Gateway Business Park
Javalera, Gen. Trias, Cavite

We have audited the consolidated financial statements of Steniel Manufacturing Corporation and its subsidiaries as at and for the year ended December 31, 2012, on which we have rendered the attached report dated October 22, 2013. The supplementary information shown in the Schedule of Philippine Financial Reporting Standards effective as at December 31, 2012, a Map of Group of Companies and Reconciliation of retained earnings available for dividend declaration, as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F, G, and H, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code are presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Geraldine Hammond-Apostol
Partner
CPA Cert. No. 83512
P.T.R. No. 0007723; issued on January 2, 2013 at Makati City
SEC A.N. (individual) as general auditors 0108-AR-3, Category A; effective until January 29, 2016
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T.I.N. 112-071-151
BIR A.N. 08-000745-34-20100; issued on April 4, 2013; effective until April 3, 2016
BOA/PRC Reg. No. 0142, effective until December 31, 2013

Makati City
October 22, 2013

Steniel Manufacturing Corporation and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2012 and 2011
(All amounts in thousand Philippine Peso)

	Notes	2012	2011
ASSETS			
Current assets			
Cash	5	17,117	7,049
Receivables and other current assets, net	6	311,687	238,717
Inventories, net	7	172,401	249,394
		501,205	495,160
Assets held-for-sale	8	216,677	230,630
Total current assets		717,882	725,790
Non-current assets			
Property and equipment, net	9	48,970	38,418
Available-for-sale financial assets	10	961	961
Input tax	6	65,196	89,156
Deferred income tax assets	14	5,074	-
Other non-current receivables	11	1,398	4,133
Total non-current assets		121,599	132,668
Total assets		839,481	858,458
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other current liabilities	12	434,473	463,102
Payable to government agencies		502	497
Total current liabilities		434,975	463,599
Non-current liabilities			
Long-term borrowings	13	568,301	568,419
Pension benefit obligation	15	5,152	6,143
Total non-current liabilities		573,453	574,562
Total liabilities		1,008,428	1,038,161
Equity			
Share capital	16	1,000,000	1,000,000
Share premium	16	414,632	414,632
Accumulated deficit		(1,583,579)	(1,594,335)
Total equity		(168,947)	(179,703)
Total liabilities and equity		839,481	858,458

(The notes on pages 1 to 43 are an integral part of these consolidated financial statements.)

Steniel Manufacturing Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For the years ended December 31, 2012, 2011 and 2010
(All amounts in thousand Philippine Peso, except for earnings (loss) per common share data)

	Notes	2012	2011	2010
Revenues				
Product sales		531,591	569,935	618,174
Service income	10, 21	48,858	41,348	62,199
Total revenues		580,449	611,283	680,373
Cost of sales and services	17	(546,683)	(598,280)	(659,225)
Gross profit		33,766	13,003	21,148
Operating expenses	18	(37,235)	(36,690)	(58,380)
Other operating income, net	19	10,294	311,929	72,663
Income from operations		6,825	288,242	35,431
Finance cost	20	-	-	(74,712)
Share in financial performance of an associate	23	-	-	(55,197)
Income (Loss) before provision for income tax		6,825	288,242	(94,478)
Benefit from (Provision for) income tax	14	3,931	(273)	(2,351)
Net income (loss) for the year		10,756	287,969	(96,829)
Other comprehensive income		-	-	-
Total comprehensive income (loss)		10,756	287,969	(96,829)
Total comprehensive income (loss) attributable to:				
Equity holders of the Company		10,756	287,969	(96,829)
Non-controlling interests		-	-	-
		10,756	287,969	(96,829)
Basic and diluted earnings (loss) per common share	16	0.0000108	0.0002880	(0.0001080)

(The notes on pages 1 to 43 are an integral part of these consolidated financial statements.)

BUREAU OF INTERNAL REVENUE
NOV 19 2013

Steniel Manufacturing Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For the years ended December 31, 2012, 2011 and 2010
(All amounts in thousand Philippine Peso)

	Share capital (Note 16)	Share premium (Note 16)	Accumulated deficit (Note 1)	Total equity
Balances at January 1, 2010	876,182	290,816	(1,785,475)	(618,477)
Comprehensive loss				
Net loss for the year	-	-	(96,829)	(96,829)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(96,829)	(96,829)
Transaction with owners				
Issuance of shares	123,818	123,816	-	247,634
Balances at December 31, 2010	1,000,000	414,632	(1,882,304)	(467,672)
Comprehensive income				
Net income for the year	-	-	287,969	287,969
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	287,969	287,969
Balances at December 31, 2011	1,000,000	414,632	(1,594,335)	(179,703)
Comprehensive income				
Net income for the year	-	-	10,756	10,756
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	10,756	10,756
Balances at December 31, 2012	1,000,000	414,632	(1,583,579)	(168,947)

(The notes on pages 1 to 43 are an integral part of these consolidated financial statements.)

REVENUE
NOV 19 2013
DATE

Steniel Manufacturing Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended December 31, 2012, 2011 and 2010
(All amounts in thousand Philippine Peso)

	Notes	2012	2011	2010
Cash flows from operating activities				
Income (Loss) before provision for income tax		6,825	288,242	(94,478)
Adjustments for:				
Depreciation	9, 23	8,760	10,835	33,680
Pension benefit expense (gain)	15	(511)	458	657
Share in financial performance of an associate	23	-	-	55,197
Gain on condonation of third party payables/borrowings	19	-	(307,686)	(38,621)
Write-off of accruals	19	(3,320)	(1,401)	-
Reversar of long-outstanding trade payables	19	(2,307)		
Provision for (Reversal of) impairment of receivables	18	2,619	(863)	7,159
Interest income from banks	19	(31)	(24)	(18)
Provision for (Reversal of) inventory write-down	17	675	-	(1,125)
Interest expense	20	-	-	74,712
Gain on sale of property and equipment and investment	19	(33)	-	(30,332)
Reversal of provision for inventory obsolescence	19	-	-	(4,598)
Write-off of prepaid taxes and asset-held-for-sale	8, 19	13,980	-	-
Operating income (loss) before working capital changes		26,657	(10,439)	2,233
Changes in working capital:				
Receivables and other current assets		(52,917)	11,324	33,489
Inventories		76,318	(186,706)	135,366
Trade payables and other current liabilities		(31,807)	194,320	(16,934)
Cash generated from operations		18,251	8,499	154,154
Interest received	19	31	24	18
Pension benefits paid	15	(480)	-	-
Net cash provided by operating activities		17,802	8,523	154,172
Cash flows from investing activities				
Additions to property and equipment	9	(10,503)	(15,474)	(29,758)
Proceeds from sale of property and equipment		33	-	-
Increase in other non-current receivables		2,736	-	5,330
Net cash used in investing activities		(7,734)	(15,474)	(24,428)
Cash flows from a financing activity				
Decrease in borrowings	1	[illegible]	-	(121,538)
Net cash used in financing activity		-	-	(121,538)
Net increase (decrease) in cash for the year		10,068	(6,951)	8,206
Cash				
January 1		7,049	14,000	5,794
December 31	5	17,117	7,049	14,000

(The notes on pages 1 to 43 are an integral part of these consolidated financial statements.)

Steniel Manufacturing Corporation and Subsidiaries

Notes to Consolidated Financial Statements
As at December 31, 2012 and 2011 and for each of the three years
in the period ended December 31, 2012
(All amounts in thousand Philippine Peso, unless otherwise indicated)

Note 1 - General information/Status of operations

(a) General information

Steniel Manufacturing Corporation ("SMC or the Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The Company and its subsidiaries (the "Group") are engaged in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Company is listed in the Philippine Stock Exchange, Inc. (PSE).

The Company is considered a public company under Part I Section2A (i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011, which, among others, defines a public corporation as any corporation with total assets of more than P350 million or total liabilities of more than P250 million. The Company with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities is also covered by additional requirements under SRC Rule 68, as amended, Part II. As at December 31, 2012, 2011 and 2010, the Company has 3,522 shareholders each holding at least 100 common shares of the Company.

Following a decision made by the Board of Directors in 1996 to reorganize the Company and its subsidiaries (the "Group"), the Company ceased manufacturing operations in June 1997. As a result, reorganization of the Group was carried out and completed with the Company's principal activity now limited to holding of investments. In addition, the remaining idle assets of the Company were leased to its subsidiary.

The ultimate parent of the Company is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam is the registered owner of 82.2716% of the shares of the Group prior to restructuring of the loan in 2010. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010 (Note 1b), remaining unissued share capital of the Company totaling 123,818 shares were issued to Roxburgh Investment Limited to reduce the Company's outstanding debts (Note 13). As a result, Roxburgh Investment Limited now owns 12.3818% of the Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the major and minority shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total; a limited liability company incorporated in British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With this sale of shares by SNHBV, Right Total is now the owner of the 72.0849% shares of the Company consequently making it its ultimate holding company.

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334,981 thousand. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by Right Total, constituting 0.0021% of the total outstanding share capital of the Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to Right Total of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

The Company's registered address and principal office is located at Gateway Business Park, Barrio Javalera, Gen. Trias, Cavite, Philippines. The Group has total regular employees of 72,118 and 108 as at December 31, 2012, 2011 and 2010, respectively.

The consolidated financial statements of the Company and its subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 have been approved and authorized for issuance by the Company's Board of Directors on October 22, 2013.

(b) Group structure

The consolidated financial statements include the separate financial statements of the Company and the following subsidiaries incorporated in the Philippines:

	Percent of ownership	
	2012	2011
Metroplas Packaging Products Corporation (MPPC)	-	100
Metro Paper and Packaging Products, Inc. (MPPPI)	-	100
Steniel Cavite Packaging Corporation (SCPC)	100	100
Treasure Packaging Corporation (TPC)	100	100
Steniel Mindanao Packaging Corporation (SMPC)	100	100

In September 2008, TPC temporarily ceased its operations due to the case filed against TPC by the owner of its office space and warehouse which was rendered by the court as meritorious and TPC then laid off its employees. In 2009, the obligation of TPC in relation to the above case was partially settled and fully settled in 2010.

The Company also has a 39.71% interest in Steniel Land Corporation (SLC), an associate. In 2012, after the dacion en pago from Steniel Group loan restructuring plan in 2010, all of the shares of TPC and MPPC were assigned to Greenkraft Corporation, a company incorporated in the Philippines. Following the sale of shares, SMC's ownership with SLC is now 39.23%.

MPPC and MPPPI's operations are limited to leasing its facilities and machinery and equipment to third parties and related party until 2010 following the Board of Directors approval of the cessation of their operations in 2001 and 2002, respectively. These subsidiaries were merged with SCPC in 2012 upon issuance of SEC on July 31, 2012 the certificate of filing of the articles and plan of merger executed on October 26, 2011 which was approved on March 2, 2012. The merger took effect on January 1, 2011 and all the financial data presented for the periods prior to the merger have been restated to reflect the combined financial statements of the above entities as though the merger had occurred at the beginning of 2010.

The business operations of SCPC gradually slowed down in 2006. The temporary cessation of the plant's operation was approved by SCPC's Board of Directors on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to third parties.

In relation to the condonation of the Company's borrowings by its major creditors in 2011 as discussed in Note 13, the Company also condoned its advances to SCPC amounting to P294,633 thousand and P13,052 thousand for the reversal of accrued interest in 2010 in relation to the 2-year grace period provided by its creditors (Note 13).

In a meeting held on January 18, 2012, the Board of Directors of SMC approved the conversion of the advances made to SCPC to share premium effective December 31, 2011 amounting to P1.4 billion.

SMPC earned net income of P1,842 thousand for the year ended December 31, 2012 mainly due to the recognition of deferred income tax asset based on management forecast of operations in the next twelve (12) months (2011 - P22,869 thousand and 2010 - P3,600 thousand) and has an accumulated deficit of P119,035 thousand (2011 - P120,877 thousand) and a total equity of P8,621 thousand as at December 31, 2012 due to the conversion of liability to share premium (2011 - P110,877 thousand capital deficiency). This is mainly brought about by the prior debt service payments and the difficult business and economic conditions that made it difficult for Steniel Group to sustain further payments of debt while at the same time ensuring continued operations. The temporary cessation of operations of certain related parties, necessitating the recognition of impairment losses on advances to these related parties also contributed in the Company's losses. During the year, the improvement in market price of paper and continuing efforts which have been implemented to control costs throughout the plant contributed to reduce losses from prior years despite the restrictions from importations affecting the banana export industry.

On December 26, 2012, the Board of Directors of SMC, authorized and approved the conversion of advances made to SMPC as at August 31, 2012 amounting to P117,657 thousand to share premium.

(c) Status of operations

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. As shown in the consolidated financial statements, the Group earned a net income of P10,756 thousand for the year ended December 31, 2012 (2011 - P287,969 thousand net income mainly due to the condonation of its liability and 2010 - net loss of P96,829 thousand) but still showing accumulated deficit and capital deficiency as at December 31, 2012 of P1,583,579 thousand (2011 - P1,594,335 thousand and 2010 - P1,882,304 thousand) and P168,947 thousand (2011 - P179,703 thousand and 2010 - P467,672 thousand), respectively. The Company as a party to the Omnibus Agreement with major creditors/lenders and has defaulted in 2006 (Note 13). Under the Company's Omnibus Agreement, the present and future receivables, inventories and a substantial portion of machinery and equipment of its subsidiaries and associate are used as collateral against the said credit facilities. These conditions indicate the existence of a material uncertainty which may cast substantial doubt about the Group's ability to continue as a going concern. The accompanying financial statements do not include adjustments that might result from the outcome of this uncertainty.

Due to the working capital drain experienced by the Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Group found it difficult to sustain further payments of debt while at the same time ensuring continued operations. The Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005 and 2006 and was declared by the lending banks in default on May 24, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties. On October 14, 2010, one of the new lenders, Greenkraft Corporation (Greenkraft) further assigned some of its loan receivables to Roxburgh Investments Limited (Roxburgh). See Note 13 for related discussions.

After the assignment and sale of loans from the lending banks to third parties, discussions were made with the new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Company has defaulted in 2006. Subsequently, on October 15, 2010, the Company and the current creditors/lenders signed the Amended and Restated Omnibus Agreement (Amended Agreement). The restructuring of the loan finally resolved the default situation. The essential elements of the Amended Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 is restructured for 25 years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.
- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in the Company's land holding entity, Steniel Land Corporation (SLC), (b) identified idle assets of SMC and its subsidiaries, and (c) by way of conversion into equity through the issuance of the Company's unissued capital stock.
- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.
- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.
- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.
- All other costs and expenses of restructuring, including documentation costs, legal fees and out-of-pocket expenses shall be for the account of Group; and
- Other conditions include:
    a. Lenders representative to be elected as director in SMC and in each of its subsidiaries.
    b. A 5-year Business Plan for Steniel Mindanao Packaging Corporation (SMPC), operating subsidiary including the execution of raw material supply contracts.
    c. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
    d. No dividend declaration or payments until the restructured obligations are fully paid.
    e. No new borrowing, unless with consent of the lenders.
    f. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
    g. Creditors' consent for change in material ownership in the Group and mortgagors.
    h. Standard covenants, representations and warranties.

Dacion en pago

The dacion en pago of the Group's idle machineries, spare parts and the equity conversion through the issuance of the Company's share capital have been completed as at December 31, 2010. The dacion en pago transaction reduced the outstanding loan principal amount by P122 million while the equity conversion reduced outstanding accrued interest by P248 million.

The dacion en pago relating to the Group's shares in SLC and a subsidiary's land and building has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 million to P289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed until first quarter of 2014. The change in ownership and management in early 2012 generally caused the delay in the implementation of the dacion en pago. The installment payment of outstanding principal based on the Amended Agreement above is also expected to be delayed.

Restructuring of subsidiaries

In 2011, following the above provisions, SMC filed a merger application with the SEC to absorb Treasure Packaging Corporation (TPC) in 2011. Such application is still pending approval by the SEC and discussions are also on-going as at December 31, 2012. On August 12, 2013 following management's assessment, the Board of SMC and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, i.e. merger of or with other subsidiaries.

In addition, Steniel Cavite Packaging Corporation (SCPC), a subsidiary, also submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by the Company on July 31, 2012. All the financial data presented for the periods prior to the merger have been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

Interest payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing on the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011 (Note 13).

With all the above matters, management believes that the Company's ability to continue operating as a going concern depends on the fulfillment of the restructuring plan and its ability to generate sufficient cash flows to meet its obligations and terms and conditions of the restructuring plan, which will contribute to the positive improvement of the operations; and ultimately to attain profitability. During the year, the improvement in market price of paper and continuing efforts of management which have been implemented to control costs throughout the plant contributed to reduced losses against prior years despite the restrictions from importations affecting the banana export industry. There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing. There are no other sources of revenue or income that are not ordinary in nature.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements of Steniel Manufacturing Corporation and its subsidiaries have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Standing Interpretations Committee (SIC), International Financial Reporting Interpretations Committee (IFRIC), and Philippine Interpretations Committee (PIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Standards, amendments and interpretations to published standards effective 2012 and onwards:

(a) New and amended standards adopted by the Group

There are no PFRS or IFRIC and PIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2012 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *PAS 19 (Amendment), Employee Benefits* (effective January 1, 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. They would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- *PFRS 9, Financial Instruments* (effective January 1, 2015). This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group has yet to assess the full impact of PFRS 9 and intends to adopt PFRS 9 beginning January 1, 2015. The Group will also consider the impact of the remaining phases of PFRS 9 when issued.

- *PFRS 10, Consolidated Financial Statements* (effective January 1, 2013). This new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of PFRS 10 and intends to adopt PFRS 10 beginning January 1, 2013.

- *PFRS 12, Disclosures of Interests in Other Entities* (effective January 1, 2013). This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has yet to assess the full impact of PFRS 12 and intends to adopt PFRS 12 beginning January 1, 2013.

- *PFRS 13, Fair Value Measurement* (effective January 1, 2013). This new standard aims to improve consistency and reduce complexity by providing a clarified definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned with IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRS or US GAAP. The Group has yet to assess the full impact of PFRS 13 and intends to adopt PFRS 13 beginning January 1, 2013.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intercompany transactions and balances, and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investment in shares of stock of an associate is accounted for by the equity method and is initially recognized at cost. Under this method, the Group recognizes its share in the financial performance of the associate in the consolidated profit or loss income less dividends received, if any, since date of acquisition.

Business combination involving entities under common control are accounted for using the predecessor cost method, which is similar to pooling of interest.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate are consistent with the policies adopted by the Group.

2.3 Cash

Cash consist of cash on hand and cash in banks for deposits held at call with banks.

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is (a) cash; (b) an equity instrument of another entity; (c) a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the Group; or (d) a contract that will or may be settled in the Group's own equity instruments.

A financial liability is any liability that is (a) a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (b) a contract that will or may be settled in the Group's own equity instruments.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss; (b) loans and receivables; (c) held-to-maturity investments; and (d) available-for-sale financial assets. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition. Financial assets of the Company are limited to loans and receivables and available-for-sale financial assets.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after reporting date, which are classified as non-current assets. Loans and receivables are classified as receivables (Notes 2.5 and 6), cash (Note 2.3) and refundable security deposits (Note 11) under other non-current receivables in the consolidated statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date. The Group's investments in shares of stock of certain publicly listed utility companies and golf/country club memberships are classified under this category (Note 10).

(b) Initial recognition and derecognition

Regular-way purchases and sales of the above financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset. These financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount required in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(d) Subsequent measurement

Loans and receivables are carried at amortized cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of assets classified as available-for-sale are recognized in other comprehensive income.

Dividends on available-for-sale equity instruments are recognized in the consolidated profit or loss as part of other income when the Group's right to receive payments is established.

(e) Determination of fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs (Note 3.3).

(f) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, a significant (at least 5% of net income) or prolonged (more than one year) decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses recognized in the profit and loss on equity instruments are not reversed through the consolidated profit or loss. Impairment testing of receivables is described in Note 2.5.

For those carried at amortized cost, individually significant financial assets both in an individual and collective basis are tested for impairment if there are indicators of impairment. Impairment loss is recognized in the consolidated profit or loss as part of other expense and the carrying amount of the asset is reduced through the use of allowance. Reversal of impairment loss should not exceed the carrying amount of the asset if impairment has not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in consolidated profit or loss as part of other income.

<u>Financial liabilities</u>

(a) Classification

The Group classifies its financial liabilities in the following categories: (a) at fair value through profit or loss; and (b) other financial liabilities at amortized cost. The Group's financial liabilities are of the nature of other financial liabilities.

Other financial liabilities pertains to issued financial instruments that are not classified or designated at fair value through profit or loss and contains contract 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.

(b) Initial recognition, measurement and derecognition

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. A financial liability is derecognized when it is extinguished – ie when the liability is discharged, cancelled or has expired. The Group's financial liabilities under this category include trade payables and other current liabilities except payable to government agencies, payable to an associate (Note 12), and borrowings (Note 13).

When an existing financial liability is replaced by another from the same lender with substantially different terms, such is treated as extinguishment of the original financial liability and the recognition of new liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

2.5 Receivables and other current assets

Trade receivables arising from regular sales with average credit term of 60 days are recorded at invoice value less provision for impairment. Other long-term receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The Group first assesses whether there is objective evidence of impairment exists individually for receivables that individually significant, and collectively for receivables that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated profit or loss within operating expenses. When a trade receivable is uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against operating expenses in the consolidated profit or loss.

Input VAT are taxes paid from purchases of goods and services and recognized as prepaid taxes before they are applied against output VAT payable as they fall due. These do not expire unless claimed as tax refund.

2.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the basis of weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor and other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value, except for materials and supplies, is the selling price in the ordinary course of business, less costs to complete and sell. Materials and supplies in-transit are stated at invoice cost plus importation and other incidental charges. Net realizable value for materials and supplies is the current replacement cost. Provision for inventory losses is set up, if necessary, based on a review of the movement and current condition of each inventory item.

Spare parts and supplies in-transit are stated at invoice cost plus importation and other incidental charges. Provision for inventory losses is set up, if necessary, based on a review of the movement and current condition of each inventory item.

Inventories are derecognized either when sold or written-off. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories principally using age and physical condition as indicators. The amount of written-down inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.7 Property and equipment

Leasehold and land improvements, and machinery and equipment are stated at historical cost less depreciation and any impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of that asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated profit or loss during the financial period in which these are incurred.

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Depreciation is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life (in years) as follows:

Machinery and equipment	3 to 10
Transportation equipment	3 to 5
Furniture, fixtures and equipment	3 to 5

Leasehold and land improvements are amortized over the lease term or estimated useful lives of the improvements, whichever is shorter.

The assets' residual values, estimated useful lives and depreciation method are reviewed periodically, and adjusted if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount (Note 2.10).

The carrying amount of an item of property, plant and equipment is derecognized on disposal; or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation are removed from the accounts.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income/expenses account in the consolidated profit or loss.

2.8 Assets held-for-sale

Assets are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered primarily through a sale transaction rather than continuing use. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented as part of the operating expenses in the consolidated profit or loss.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, not in excess of the cumulative impairment loss that has been recognized.
The Group ceases depreciation and amortization upon classification of assets as held-for sale.

When changes to the plan of sale are made and the Company ceases to classify the asset as held-for-sale, the Group remeasures the asset at the lower of its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset not been classified as held-for-sale, and its recoverable amount at the date of the subsequent decision not to sell. Gain or loss recognized on remeasurement of a non-current asset classified as held-for-sale is presented under the operating income (expense) in the consolidated profit or loss.

The Group's assets held-for-sale comprises of investment in an associate and investment properties.

2.9 Impairment of assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset and to discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, plus transaction costs, and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the consolidated profit or loss over the period of the borrowing using the effective interest method.
Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to operations in the year in which they are incurred.

2.11 Trade payables and other current liabilities

Trade payables and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. These liabilities are categorized as financial liabilities of the Group.

Trade payables and other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.12 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense in the consolidated profit or loss.

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

2.13 Income taxes

The tax expense comprises current and deferred tax. Tax is recognized in consolidated profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

2.14 Employee benefits

(a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Pension obligations

The Group provides for unfunded retirement benefits based on the provisions of Republic Act No. 7641 (the Act or R.A. 7641), also referred to as "Retirement Pay Law". The Act defines the minimum amount of pension benefit that an employee will receive on retirement, dependent on certain factors such as age, years of credited service, and salary.

The liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at reporting date less the fair value of plan assets, if any, adjusted for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

2.15 Share capital and share premium

Common shares are classified as equity. Share premium is recognized for the excess of proceeds of subscriptions over the par value of the shares issued.

Incremental costs directly attributable to the issue of new shares or options as shown in equity as a deduction from the proceeds, net of tax.

2.16 Earnings/Loss per common share

Basic earnings/loss per common share is calculated by dividing the earnings/loss attributable to equity holders of the Company by the weighted average number of common shares issued and outstanding during the year, after giving retroactive adjustments for any stock dividends. Diluted earnings/loss per share is the same as basic earnings/loss per common share in the absence of dilutive potential common share.

2.17 Revenue and expense recognition

(a) Revenues

Revenue comprises the invoiced value on the sale of goods, net of value-added taxes, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

The Group manufactures and sells a wide range of paper, cartons and packaging materials in the domestic market. Sale of goods is recognized when delivery has taken place and when significant risks and rewards of ownership are transferred to customers.

(ii) Sales of services

Revenue from tolling services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Rental income

Rental income arising from lease of machineries being leased to third parties but under operating leases or related parties comprises the invoiced value, net of value-added taxes, and is recognized in a straight-line basis over the lease term.

(iv) Interest income

Interest income on bank deposits, which is presented net of withholding tax are recorded when earned.

(b) Cost and expenses

Cost and expenses are charged to operations when incurred (Notes 17 and 18).

2.18 Leases

(a) Group is the lessee

Leases of property where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to operations on a straight-line basis over the period of the lease.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such type of arrangements.

(b) Group is the lessor

Assets leased out under operating leases are included in property and equipment in the consolidated statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similarly-owned properties.

2.19 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party relationship also exists if the following conditions apply:

a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
b) an entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
c) both entities are joint ventures of the same third party.
d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
f) the entity is controlled or jointly controlled by a person identified that has control, joint control, significant influence or key management personnel of the reporting entity.
g) a person identified who has control or joint control that has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.20 Foreign currency transactions and translations

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency.

Functional currency is the currency of the primary economic environment in which the entity operates or in which it primarily generates and expends cash, while presentation currency is the currency in which the consolidated financial statements are presented.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit or loss.

Foreign exchange gains and losses that relate to cash in bank are presented in consolidated profit or loss within other operating income (expense), net (Note 19).

2.21 Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Board of Directors and in accordance with SEC Memorandum Circular No. 11 (Series of 2008), "Guidelines on the Determination of Retained Earnings Available for Dividend Declaration."

2.22 Operating segment

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of the other operating segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments (Note 24).

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer that makes strategic decisions.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who allocates resources to and assesses the performance of the operating segments of the Group.

All transactions between business segments and intra-segment revenue and costs are eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

2.23 Subsequent events

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.

Note 3 - Financial risk and capital management

3.1 Financial risk factors

The Group's financial assets and liabilities, comprising mainly of cash in banks, receivables, other non-current receivables, trade payables and borrowings and amounts due from/to related parties are exposed to a variety of financial risks, which include currency risk, credit risk, liquidity/funding risk and cash flow interest rate risk. The Group's management ensures that it has sound policies and strategies made to minimize potential adverse effects of those risks on the Group's financial performance.

Risk management is carried out through the policies approved by Board of Directors of the Company. They identify and evaluate financial risk. The Board provides principles on overall risk management and on specific areas such as foreign exchange risk, procurement market risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The foreign exchange risk of the Group arising from cash, trade receivables and payables is not significant. The net exposure is kept to an acceptable level by buying foreign currencies at spot rates when necessary to address short-term needs. Please see Note 22.

(ii) Price risk

The Group is not significantly exposed to price risk on equity securities and proprietary club shares classified in the consolidated statement of financial position as available-for-sale financial assets (Note 10).

(iii) Cash flow interest rate risk

This risk relates to fluctuations of future cash flows of a financial instrument as a result of changes in the market interest rates with possible additional penalty charges (Note 13). Since the declaration of default by the Company's lending banks in 2005 (Note 1), the interest rates applied are fixed. As the borrowings are carried at amortized cost with fixed interest rate. Please see Note 1 on provisions of Amended and Restated Omnibus Agreement entered by the Company on October 15, 2010 which changed the fixed interest rates applied to the restricted loan. As the borrowings are carried at amortized cost with fixed interest rate, the Company is not exposed to cash flow interest rate risk.

The Group has no significant interest-bearing assets which are dependent on market interest rate that would affect the Group's income and operating cash flows.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks, receivables and deposits with third parties (other non-current receivables). Cash transactions are limited to high-credit-quality financial institutions. For the Group's banks and financial institutions requirements, decisions are made at the group level that considers and leverages on Group's needs and costs. Cash in banks are maintained with universal and commercial banks which represent the largest single group, resource-wise, of financial institutions in the Philippines. They offer the widest variety of banking services among financial institutions.

To minimize the credit risk, predefined exposure limits are observed and transactions are only conducted with third party customers of good credit standing. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Receivable balances including other non-current receivables are monitored on an on-going basis with the result that the Group's exposure to bad debts is not material (Notes 6 and 11).

There is no concentration of credit risk with third parties as trade receivables are dispersed mainly to a large number of existing customers with no defaults in the past. All receivables from customers with default history were impaired and fully provided for. The Group does not hold any collateral as security for these receivables but these receivables are used as collateral to the loan as shown in Note 13.

As at December 31, 2012, trade receivables of P4,273 thousand (2011 - P527 thousand) and non-trade receivables of P3,790 thousand (2011 - P3,604 thousand) were past due but not impaired. These relate to a number of trade customers and other government agencies with no recent history of default.

The aging of the trade and non-trade receivables not impaired follows:

Age classification	2012	2011
Current	95,519	47,058
Past due		
1 to 90 days	1,277	2,206
Over 90 days	6,786	1,925
	103,582	51,189

Further, the Group's present and future receivables are used as collateral on loans upon declaration of default by its lenders. The rental and security deposits included in other non-current assets are generally collectible at end of the lease or service term.

(c) Liquidity risk

Liquidity risk relates to the failure of the Group or another party to discharge its obligations/commitments arising from receivables, payables and borrowings. Cash balances are considered low. The tight cash position limits its obligation to take advantage of increasing demands. Establishing new sources of trade credit and working capital facility will change this problem. The Group's financial liabilities include trade payables, other current liabilities and borrowings (Notes 12 and 13).

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Due and demandable	Over 360 days	Total
At December 31, 2012			
Trade payables	381,258	-	381,258
Other accruals	27,269	-	27,269
Rental payable to an associate	19,982	-	19,982
Advances from customers	5,964	-	5,964
Other payables	196	-	196
Borrowings	-	568,301	568,301
Future interest payments	-	443,367	443,367
	Due and demandable	Over 360 days	Total
At December 31, 2011			
Trade payables	421,323	-	421,323
Other accruals	17,842	-	17,842
Rental payable to an associate	20,072	-	20,072
Advances from customers	3,595	-	3,595
Other payables	270	-	270
Borrowings	-	568,419	568,419
Future interest payments	-	443,367	443,367

Owing to the existence of conditions which cast a material uncertainty on the Group's ability to continue as a going concern in the near future, as discussed in Note 1, the Group is considerably exposed to the risk of not being able to raise on a timely basis sufficient funds to meet its loan and other commitments. Please see related discussion in Note 1 on the Amended Agreement of the Group as a result of the restructuring of the loan. The Group regularly monitors its cash position and collection of receivables while the loan is not yet foreclosed, it continuously negotiates with creditors for new credit terms and depends on the financial support from its operating subsidiary and shareholder to meet its obligation as they fall due.

The remaining assets subject to dacion en pago under the provisions of the Amended Agreement pertain to land and building with SCPC (subsidiary) with estimated floor price of P100,000 thousand and common and preferred shares with SLC (associate) with fair value of P189,882 thousand based on municipality zonal value (Note 8). Upon completion of this transaction, the balance of borrowings will be significantly reduced.

The details of updated forecasted liquidity reserve for the next 15 years based on the restructured loan and provisions of the Amended Agreement are as follows:

	2010 to 2015	2016 to 2024
Opening balance for the period	4,184	15,049
Operating cash flows	122,119	431,000
Cash inflows (outflows) for investment	175,175	(77,000)
Cash outflows from financing	(286,429)	(247,320)
	15,049	121,729

The above also excluded cash inflows from investments.

3.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Cash flow from the activities of the Company's operating subsidiary is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value for shareholders from the Company's operations. Total capital comprises the total equity as shown in the statement of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under suspended trading status in the Philippine Stock Exchange in 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings. Refer to Notes 1c and 13 on discussion of the Steniel Group's restructured loan.

3.3 Fair value estimation of financial assets and liabilities

The Group financial instruments that are measured in the statements of financial position at fair value are required to disclose the following fair value measurement hierarchy by level:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as trading securities or available-for-sale. The Group's investment in available-for-sale financial assets (Note 10) which is measured at fair value at December 31, 2012 and 2011 is classified under level 1. The Group does not have financial assets classified under levels 2 and 3.

The nominal value less impairment provision of receivables and the carrying value of payables are assumed to approximate their fair values.

Note 4 - Critical accounting estimates, assumptions and judgments

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Critical accounting estimate and assumption

(a) Useful lives of property and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property and equipment. This estimate is based on projected product lifecycles. It could change significantly as a result of technical innovation and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

If the actual useful lives of these assets are to differ by 5% from management's estimates the carrying amount of these assets would be an estimated P11,371 thousand (2011 - P5,906 thousand) higher or P12,567 thousand (2011 - P6,528 thousand) lower. See Note 9 for the carrying amount of property and equipment.

(b) Provision for pension benefits

The present value of the pension benefit obligation depends on various factors that are determined on an actuarial basis using a number of assumptions. The assumptions used include the discount rate, rates of salary increases and expected rate of return on plan assets. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of Philippine government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 15. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding these actuarial assumptions at reporting date. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated at reporting date may differ significantly from the amount reported.

4.2 Critical accounting judgments

(a) Provision for impairment of receivables

Provision for impairment of receivables is based on the Group's assessment on the utilization of creditable withholding taxes and collectibility of payments from customers. This assessment requires judgment regarding the ability of each of the customers to pay the amounts owed to the Group. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. Management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with customer and customer's current credit status based on known market factors, to record specific reserves for customers against amounts known due to reduce receivable amounts to expected collection. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated. The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Company made different assumptions or utilized different estimates. Any change in the Company's assessment of the collectibility of receivable could significantly impact the calculation of such provision and results of operations. Please see discussions on Note 6 for the analysis of receivables and related movements on the provisions for impairment of receivables.

(b) Provision for impairment of inventories

The Group recognized allowance for impairment of inventories whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence and changes in price levels. The allowance account is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventory items identified to be obsolete and unusable are written off and charged as expense for the period. Management considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding inventory losses. Analysis of the provision for impairment of inventories is shown in Note 7.

(c) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. Management reviewed and assessed that no indicators and impairment charge is necessary as the property and equipment and assets-held-for-sale estimated recoverable amounts are greater than their carrying amounts. Please see Notes 8 and 9.

(d) Income taxes

Recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences, unused tax credits and unused tax losses can be applied. For 2011, the Group did not recognize any deferred income tax assets. In 2012, deferred income tax assets amounting to P5,074 thousand was recognized since based on management's assessment of SMPC's results of operations in 2014, taxable income may be able to generate up to the extent of this amount.

The Company recognizes provision for impairment of input value added tax (VAT) and creditable withholding taxes (CWT) based on management's assessment of recoverability through application of such tax claims against future output VAT and tax liabilities from taxable profit. Such input VAT and CWT are carried forward into the Company and its subsidiaries' tax returns and management believes that these are fully recoverable as at reporting date (Note 6).

(e) Going concern

Management prepares its consolidated financial statements on going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of the business. Please see discussion in Note 1 for management plans as a going concern.

Note 5 - Cash

Cash at December 31 consist of cash on hand and in banks amounting to P50 thousand and P17,067 thousand, respectively (2011 - P50 thousand and P6,999 thousand).

Cash in banks earn interest at the prevailing bank deposit rates between 0.25% to 0.625% in 2012 and 2011 (Note 19).

Note 6 - Receivables and other current assets

Receivables and other current assets at December 31 consist of:

	2012	2011
Trade receivables		
Third parties	63,030	83,414
Related party	13,080	-
Provision for impairment	(43,613)	(41,365)
Net trade	32,497	42,049
Non-trade receivables		
Advances to suppliers	5,000	-
Other receivables	69,465	12,520
Provision for impairment	(3,380)	(3.380)
Net non-trade	71,085	9,140
Other current assets		
Creditable withholding taxes	111,361	110,189
Provision for impairment	(7,993)	(7,993)
Net	103,368	102,196
Input taxes	104,566	82,540
Prepaid expenses	171	2,792
Total other current assets	208,105	187,528
	311,687	238,717

The carrying value of the Group's trade receivables denominated in foreign currency amounted to U.S.$351 thousand in 2012 or peso equivalent of P14,421 thousand (2011 - U.S.$553 thousand in 2011 or peso equivalent of P24,103 thousand). As at December 31, 2012, trade receivables of P43,613 thousand (2011 - P41,365 thousand) aged over 180 days were impaired and fully provided for. The individually impaired receivable mainly relate to customers, which are in unexpectedly difficult economic situations.

Movements in the provision for impairment of receivables and other current assets at December 31 are as follows:

	Note	2012	2011
Trade			
At January 1		41,365	46,144
Provisions	18	2,619	540
Reversals	18	-	(444)
Write-off		-	(4,606)
Foreign exchange effect on translation		(371)	(269)
At December 31		43,613	41,365
Non-trade			
At January 1		3,380	22,986
Write-off		-	(19,606)
At December 31		3,380	3,380
Other current assets			
At January 1		7,993	9,106
Provisions	18	-	142
Reversals	18	-	(1,101)
Write-off		-	(154)
		7,993	7,993
Total		54,986	52,738

Reversals of provision for impairment of receivable resulted from the subsequent collections and due to management's assessment on realizability of the creditable withholding tax upon planned merger and subsequent application of dacion en pago as disclosed in Note 1. Write-offs were made for customers that can longer be located and creditable withholding tax that became "out-of-period" for tax purposes. In 2010, the Company has written-off receivables without provision for impairment amounting to P4,430 thousand (Note 18).

Other receivables pertain to receivable from scrap sales transactions and reimbursements of costs incurred in behalf of trade customers. During the year, the Company lent paper rolls amounting to P16,563 thousand to third parties which were due to be returned in 2013. Other receivables also includes advances to officers and employees which are subject to liquidation, collectible through salary deduction or for those resigned employees, these will be charged against their separation pay after final determination by senior management.

The other classes of receivables within receivables and other current assets do not contain impaired assets.

As at December 31, 2012 and 2011, CWT of P7,993 thousand were impaired and fully provided for. All impaired balances in the CWT account refer to tax certificates considered to be "out-of-period" for tax purposes and therefore cannot be utilized for future income tax obligations. The remaining balance of P103,368 thousand (2011 - P102,196 thousand) is not considered to be impaired as this amount relates to excess tax payments which has no prescription period and the balances are being carried forward annually in the tax returns and of which, P1,143 thousand (2011 - P1,809 thousand) pertains to CWT claims relating to the current taxable period.

Input taxes shown above will be applied against future taxes based on provisions of the VAT laws. In 2010, the Company reclassified the total balance of input taxes amounting to P87,662 from current to non-current assets and in 2011 amounting to P89,156 as management does not expect to apply these taxes against future output value added taxes within twelve (12) months from reporting date. In 2012, input value added taxes amounting to P22,908 were reclassified to current asset as management believes that this will be utilized within the next twelve (12) months. Please see related discussion in Notes 1 and 3 on the Restructuring Plan of the Group in relation to disposal of its assets for settlement of its loan which will utilize its input taxes.

Note 7 - Inventories

Inventories as at December 31 consist of:

	Note	2012	2011
At cost:			
Finished goods		-	8,604
Work-in-process	17	4,536	5,313
Raw materials	17	128,312	208,551
Materials and supplies		28,865	26,926
		161,713	249,394
At net realizable value:			
Finished goods, net of provision of P675 thousand	17	10,688	-
		172,401	249,394

The above inventories are pledged as collateral to the Group's borrowings (Note 13).

Based on management's assessment of its inventory conditions and net realizable values, a provision for inventory obsolescence was recognized during the year amounting to P675 thousand (2011 - nil) (Note 17).

The cost of inventories recognized as an expense amounted to P485,394 thousand (2011 - P546,678 thousand and 2010 - P568,042 thousand) as shown in Note 17.

Note 8 - Assets held-for-sale

As at December 31, 2012 and 2011, the Company has remaining assets and shares of stocks in an associate classified as assets held-for-sale which are subject to dacion en pago under the provisions of the Amended Agreement in 2010 as discussed in Note 1c. The assets and shares with details below are measured at carrying amount which is lower than fair value less cost to sell (Note 3).

	Investment in associate	Land improvements	Building and building improvements	Total
Cost of assets				
January 1, 2010	417,779	941	117,592	536,312
Accumulated share in net losses		-	-	
January 1, 2010	(28,013)	-	-	(28,013)
Share in financial performance for the year	(55,197)	-	-	(55,197)
	(83,210)	-	-	(83,210)
Allowance for impairment	(199,767)	-	(22,705)	(222,472)
Carrying amount reclassified as asset-held-for-sale in 2010	134,802	941	94,887	230,630
Asset-held-for-sale				
January 1, 2011	134,802	941	94,887	230,630
Additions/Disposals	-	-	-	-
December 31, 2011	134,802	941	94,887	230,630
Disposals in 2012	(118)	-	-	(118)
Write-off	(13,835)	-	-	(13,835)
December 31, 2012	120,849	941	94,887	216,677
Net book values				
December 31, 2012	120,849	941	94,887	216,677
December 31, 2011	134,802	941	94,887	230,630

The investment in associate represents 249,500 common shares and 738,870 voting preferred shares of the Group in SLC, a domestic land holding company organized and incorporated in the Philippines on September 12, 2000. The Group's share in results of operations of SLC is based on the Company's direct 10.22% equity plus the 29.49% aggregate equity in SLC held by three (3) wholly-owned subsidiaries. In 2010, the Group assessed the fair value of the land based on zonal value obtained from the municipal office amounted to P190 million which resulted in recognition of impairment loss. As a result of the restructuring plan, the value of SMC's share settled for its outstanding loan was equivalent to the fair value of the land in 2010.

During the year, the preferred shares of the Company, TPC and MPPC with Steniel Land Corporation (SLC) amounting to P118 thousand were assigned to Greenkraft Corporation as part of the dacion en pago (Notes 1 and 13). Such transactions were considered non-cash transaction from investing activity in the statements of cash flows. As at December 31, 2012, the carrying value of the investment in shares of stock was also reduced to P120,849 thousand after issuance of certain certificates authorizing registration related to assigned shares in SLC based on par value.

Note 9 - Property and equipment

Details of property and equipment consist of:

	Machinery and equipment	Transportation and office equipment	Leasehold and land improvements	Total
Cost				
January 1, 2012	219,445	19,412	30,032	268,889
Additions	9,648	746	8,919	19,313(a)
Disposals	-	(450)	-	(450)
December 31, 2012	229,093	19,708	38,951	287,752
Accumulated depreciation and amortization				
January 1, 2012	188,050	15,962	26,459	230,471
Depreciation	6,367	1,296	1,097	8,760
Disposals	-	(450)	-	(450)
December 31, 2012	194,417	16,808	27,556	238,781
Net book values - cost				
December 31, 2012	34,676	2,900	11,395	48,971
Cost				
January 1, 2011	206,065	20,230	29,566	255,861
Additions	13,380	1,628	466	15,474
Disposals	-	(2,446)	-	(2,446)
December 31, 2011	219,445	19,412	30,032	268,889
Accumulated depreciation and amortization				
January 1, 2011	181,442	16,706	23,934	222,082
Depreciation	6,608	1,702	2,525	10,835
Disposals	-	(2,446)	-	(2,446)
December 31, 2011	188,050	15,962	26,459	230,471
Net book values - cost				
December 31, 2011	31,395	3,450	3,573	38,418

(a) For Statement of Cash Flows purposes, P10,503 thousand of the total additions amounting to P19,313 thousand have been paid.

Depreciation charges of property and equipment and investment properties as shown in the consolidated statements of cash flows for the years ended December 31 were charged to:

	Notes	2012	2011	2010
Cost of sales	17	1,782	3,647	4,907
Cost of services	17	6,538	6,431	23,163
Direct cost of investment properties	17	-	-	5,346
Operating expenses	18	440	757	264
		8,760	10,835	33,680

Depreciation charges (by asset classification) for the years ended December 31 consist of:

	2012	2011	2010
Property and equipment	8,760	10,835	28,334
Investment properties - at cost	-	-	5,346
	8,760	10,835	33,680

The Group's building and building improvements, and leasehold improvements with a net book value of P3,908 thousand are mortgaged to secure the payment of long-term debts under mortgage trust indentures as at December 31, 2010 (Note 13). These assets were covered in dacion en pago as disclosed in Note 1 as part of the restructuring of the loan which approved in 2010.

Fully depreciated property and equipment that are still being used by the Group have a total gross carrying amount of P94,828 thousand (2011 - P94,169 thousand).

Note 10 - Available-for-sale financial assets

The account consists of investments in shares of stock of utility companies and golf/country club memberships which the Group does not intend to dispose in the short-term and as such, were designated as available-for-sale financial assets. In 2011, investments amounting to P645 thousand were transferred to a major creditor as settlement in relation with condonation of third party payable in 2010.
These investments were measured at fair value based on quoted price as at December 31, 2012 and 2011 that did not result in any adjustment in the consolidated financial statements.

Note 11 - Other non-current receivables

The account consists of refundable security deposits of P19 thousand (2011 - P4,133 thousand) paid by the Group which are required by a utility company to render its service. During the year, security deposits amounting to P4,114 thousand were collected from the utility company. The Group also paid security deposits amounted to P1,378 thousand as required under the terms and covering lease agreements.

The carrying amount of the Group's non-current receivables is denominated in Philippine Peso. The maximum exposure of credit risk at the reporting date is the fair value of the receivables mentioned above (Note 3.1b).

Note 12 - Trade payables and other current liabilities

Trade payables and other current liabilities as at December 31 consist of:

	Note	2012	2011
Trade payables	23	383,752	421,323
Accrued taxes and other staff costs		24,579	17,842
Payable to an associate	23	19,982	20,072
Advances from customers		5,964	3,595
Other payables		196	270
		434,473	463,102

Accrued taxes pertain to accrued charges from Bureau of Customs (BOC) for raw materials imported, payable to other tolling customers and suppliers for paper purchases.

Other payables consist mainly of advances from supplier as payment for the long-outstanding real property taxes of SCPC and for working capital of SMPC.

Note 13 - Borrowings

Borrowings at December 31 consist of:

	2012	2011
Greenkraft Corporation	380,578	380,696
Roxburgh Investments Limited	187,723	187,723
	568,301	568,419

The above secured loans were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The above creditors/lenders are now considered related parties of the Company following the dacion arrangements in 2010 and re-assessment of related party relationships during the year (Notes 1c and 23).

The property and equipment of the Company and its subsidiaries and present and future receivables and inventories of its subsidiaries are used as collateral in accordance with the Omnibus Agreement. Further, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries and payment terms as discussed in Note 1b which is due after completion of dacion en pago or sale of properties that is expected to complete until first quarter of 2014. Upon approval of the Amended Agreement, the above creditors are aware of the Company's non-compliance with the covenants due to the Company's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011 amounting to P294,634 thousand. In addition, the accrued interest in 2010 amounting to P13,052 thousand was also reversed in 2011 in relation to the 2-year grace period provided by its creditors (Note 1).

Note 14 - Deferred income taxes/Provision for current income tax

On December 20, 2008, Revenue Regulations No. 16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of goods sold" and "cost of services" will be allowed to be deducted from gross sales.

On February 18, 2010, the Bureau of Internal Revenue (BIR) issued RR No. 2-2010. It requires a taxpayer who avails of the Optional Standard Deduction (OSD) in the first quarter of its taxable year to claim the same OSD in determining its taxable year or fails to file an income tax return for the first quarter of the taxable year shall have to claim the itemized deduction in determining the taxable income for the rest of the year, including the final income tax return. The amendment is applicable beginning annual period ended December 31, 2009. The Group did not avail the OSD for purposes of its 2011 and 2010 income tax calculation.

Deferred income tax assets and liabilities are determined using income tax rates in the period the temporary differences are expected to be recovered or settled. These assets and liabilities offset as there is a legally enforceable right to offset current income tax assets against current income tax liabilities as the deferred income taxes relate to the same fiscal authority.

The Group has unrecognized deferred income tax assets on the following temporary differences, unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (minimum corporate income tax or MCIT):

	2012	2011
Temporary differences		
Provision for impairment of investment properties	67,881	67,881
Provision for impairment of investment in associate	59,930	59,930
Provision for impairment of receivables	17,977	15,821
Pension benefit obligation	1,546	1,843
Accrued expenses	966	-
Allowance for inventory obsolescence	202	-
Unrealized foreign exchange gains	(159)	(7)
	148,343	145,468
NOLCO	43,373	59,829
MCIT	3,767	2,978
	195,483	208,275

In prior years, no DTA were recognized for these temporary differences, unused tax credits and unused tax losses as realization of the related tax benefits through future taxable income were not probable. Based on management's assessment in 2012 and forecast, the Group may be able to generate taxable income within the next twelve (12) months and utilize its accumulated net operating loss carry-over from its operating subsidiary, thus, recognition of the P5,074 thousand DTA was made.

Details of NOLCO are as follows:

Year incurred	Year expiring	2012	2011	2010
2010	2013	199,430	227,573	227,573
2009	2012	-	100,792	100,792
2008	2011	-	162,162	162,162
2007	2010	-	-	153,633
Total		199,430	490,527	644,160
Expired portion		-	-	(153,633)
Applied		(37,940)	(291,097)	-
Remaining NOLCO		161,490	199,430	490,527
Less: Recognized NOLCO for operating subsidiary		(16,913)	-	-
		144,577	199,430	490,527
Tax rate		30%	30%	30%
Tax effect of NOLCO, December 31		43,373	59,829	147,158

The Group, although in a tax loss position, is required to pay the MCIT of 2% which is based on gross taxable income since MCIT is higher than its normal income tax. MCIT can be claimed as tax credit against normal income tax within the three (3) immediately succeeding taxable years. However, MCIT payments were charged to provision for income tax due also to management's assessment that it will not be able to generate taxable income prior to their expiration.

Details of MCIT are as follows:

Year incurred	Year expiring	2012	2011	2010
2012	2015	1,143	-	-
2011	2014	273	273	-
2010	2013	2,351	2,351	2,351
2009	2012	354	354	354
2008	2011	-	873	873
2007	2010	-	-	1,026
Total		4,121	3,851	4,604
Expired portion		(354)	(873)	(1,026)
Remaining MCIT, December 31		3,767	2,978	3,578

The components of provision for (benefit from) income tax in the consolidated statements of total comprehensive income for the years ended December 31 follow:

	2012	2011	2010
Current tax	1,143	273	2,351
Deferred tax credit	(5,074)	-	-
	(3,931)	273	2,351

The reconciliation of the provision for (benefit from) income tax for the years ended December 31 computed at the statutory income tax rate to actual income tax provision shown in the consolidated profit or loss is shown below:

	2012	2011	2010
Tax at statutory tax rate of 30%	2,047	86,473	(28,343)
Additions to (Reductions in) income tax resulting from tax effects of:			
Interest income subjected to final tax	(9)	(7)	(5)
Unrecognized deferred income tax assets on temporary differences	2,875	(7)	9,007
Non-deductible expenses	6,469	867	2,780
Applied NOLCO	(16,456)	(87,326)	-
MCIT charged to provision for income tax	1,143	273	2,351
Share in financial performance of an associate	-	-	16,559
Interest expense limitation	-	-	2
Provision for (Benefit from) income tax at effective income tax rate	(3,931)	273	2,351

Note 15 - Retirement benefits

Based on the provisions of R.A. No. 7641, Retirement Law, the Group's retirement plan provides for retirement benefits equivalent to 72.57% of the monthly pay for every year of credited service based on the salary at the time of retirement, provided that the employee is 60 years old and has rendered at least five (5) years of credited service. The pension obligation is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. Actuarial valuation of the retirement benefits was sought from an independent actuary as of December 31, 2012 and 2011.

The following are details of the pension benefit obligation and expense recognized in the consolidated statement of financial position and consolidated profit or loss, respectively:

	2012	2011
Pension benefit obligation	5,152	6,143
Pension benefit expense (gain)	(511)	458

The amounts of pension benefit obligation as at December 31 are determined as follows:

	2012	2011	2010	2009	2008
Present value of unfunded obligations	3,314	2,662	3,470	3,711	2,773
Unrecognized actuarial gains	1,838	3,481	2,215	1,317	1,890
Liability in the consolidated statement of financial position	5,152	6,143	5,685	5,028	4,663

The amounts of pension benefit expense (gain) recognized for the years ended December 31 are determined as follows:

	2012	2011	2010
Current service cost	348	357	403
Interest cost	116	216	310
Actuarial gain recognized	(579)	(115)	(56)
Curtailment gain	(396)	-	-
	(511)	458	657

Pension benefit expense (gain) for the years ended December 31 was charged to the following accounts:

	Notes	2012	2011	2010
Cost of sales	17	(158)	458	579
Operating expenses	18	(353)	-	78
		(511)	458	657

The movements in the pension benefit obligation are as follows:

	2012	2011
January 1	6,143	5,685
Pension benefit expense (gain)	(511)	458
Benefits paid	(480)	-
December 31	5,152	6,143

The actuarial gains to be recognized for the period are as follow:

	2012	2011	2010
Net cumulative unrecognized actuarial gains, beginning of the year	3,480	2,215	1,316
Limits of corridor, beginning of the year	(266)	(347)	(371)
Excess from corridor	3,214	1,868	945
Average expected remaining working lives	17	16.30	16.84
Actuarial gain recognized (corridor approach)	189	115	56
Actuarial gain recognized (curtailment)	390	-	-
	579	115	56

The experience adjustment on obligation as at December 31, 2012 amounted to P1,123 thousand (2011 - P1,380 thousand; 2010 - P954 thousand; 2009 - P475 thousand; 2008 - P174 thousand).

The principal annual actuarial assumptions used are as follows:

	2012	2011
Discount rate	5.40%	5.28%
Salary increase rate	3%	3%

Assumptions regarding future mortality and disability rates are based on advice from published statistics and experience in the territory.

Note 16 - Share capital/Share premium/Basic and diluted loss per common share

Share capital as at December 31, 2012, 2011 and 2010 consist of:

	No. of Shares	Par value per share	Amount in thousand
Authorized	1,000,000,000	1	1,000,000
Issued and outstanding	1,000,000,000	1	1,000,000

At incorporation date issued shares of 876,182 thousand amounted to P876,182 thousand with share premium of P290,816 thousand. As discussed in Note 1, the Company's loans were restructured in October 2010 and unissued shares of 123,818 thousand amounting to P123,818were issued to a creditor to settle portion of the loan and the balance of P123,816 thousand was recognized as part of share premium account. Such transaction was considered non-cash financing activity for purposes of the statement of cash flows.

Basic and diluted earnings/loss per common share in centavos for the years ended December 31 is calculated as follows:

	2012	2011	2010
Net income (loss) for the year available to common shares	10,756	287,969	(96,829)
Divided by weighted average number of common shares, in absolute numbers	1,000,000,000	1,000,000,000	896,818,371
Basic and diluted earnings/loss per share	0.0000108	0.0002880	(0.0001080)

Note 17 - Cost of sales and services

Details of cost of sales and services and direct costs for investment properties for the years ended December 31 consist of:

	Notes	2012	2011	2010
Cost of sales				
Raw materials, January 1		208,551	25,041	148,960
Add: Purchases		376,676	694,079	382,917
Total raw materials		585,227	719,120	531,877
Raw materials, December 31	7	(128,312)	(208,551)	(25,041)
Raw materials used		456,915	510,569	506,836
Direct labor	15	12,315	14,503	19,168
Factory overhead		17,471	21,093	36,476
Total manufacturing cost		486,701	546,165	562,480
Work-in-process, January 1		5,313	5,226	7,399
Total goods available for manufacturing		492,014	551,391	569,879
Work-in-process, December 31	7	(4,536)	(5,313)	(5,226)
Total goods manufactured		487,478	546,078	564,653
Finished goods, January 1		8,604	9,204	13,718
Total goods available for sale		496,082	555,282	578,371
Finished goods, December 31	7	(11,363)	(8,604)	(9,204)
Provision (Reversal) of inventory write-down	7	675	-	(1,125)
	7	485,394	546,678	568,042
Cost of services				
Materials used		22,963	16,868	17,491
Direct labor	15	10,921	9,993	16,328
Rent, utilities and office expenses	21(b)	10,086	7,776	10,458
Depreciation	9	6,538	6,431	23,163
Supplies		4,096	3,464	8,054
Warehousing cost		2,163	1,497	897
Repairs and maintenance		1,916	1,999	4,875
Outside services		1,432	1,053	971
Insurance, taxes and licenses		575	496	993
Others		599	338	644
		61,289	49,915	83,874
Direct costs for investment properties				
Depreciation	9	-	-	5,346
Insurance, taxes and licenses		-	1,687	1,963
		-	1,687	7,309
		546,683	598,280	659,225

Details of factory overhead for the years ended December 31 are as follow:

	Notes	2012	2011	2010
Utilities		5,161	5,243	6,366
Manufacturing supplies		4,619	5,027	9,455
Repairs and maintenance		2,160	2,901	5,723
Depreciation	9	1,782	3,647	4,907
Outside services		1,614	1,527	1,141
Rent and office expenses	21(b)	812	1,536	5,910
Insurance, taxes and licenses		648	721	1,165
Power, fuel and oil		329	373	556
Others		346	118	1,253
		17,471	21,093	36,476

Note 18 - Operating expenses

Operating expenses for the years ended December 31 consists of:

	Notes	2012	2011	2010
Representation and entertainment		8,195	3,099	5,993
Delivery		6,354	8,824	14,370
Rent, utilities and office expenses	21(b)	5,308	10,440	6,281
Insurance, taxes and licenses		4,993	3,000	2,733
Salaries, wages and employees benefits		5,015	5,705	10,096
Professional fees, security and outside services		4,229	4,640	5,859
Provision for (Reversal of) impairment of receivables	6	2,619	(863)	7,159
Depreciation	9	440	757	264
Repairs and maintenance		241	223	477
Write-off of receivables	6	-	-	4,430
Pension benefit (income) expense	15	(353)	-	78
Others		194	865	640
		37,235	36,690	58,380

Note 19 - Other operating income (expenses)

Net other operating income (expenses) for the years ended December 31 consist of:

	Notes	2012	2011	2010
Gain on sale of scrap	6	15,185	-	-
Income from refund of deposit		4,724	-	-
Write-off of accruals		3,320	1,401	-
Reversal of long-outstanding trade payables		2,307	-	-
Foreign exchange gain (losses), net	22	1,918	2,800	(962)
Gain on sale of property and equipment and investment	1c	33	-	30,332
Interest income from banks	5	31	24	18
Gain on condonation of third party payables		-	-	38,621
Condonation of borrowings	13	-	307,686	-
Reversal of provision for inventory obsolescence		-	-	4,598
Write-off of prepaid taxes and asset-held-for-sale	8	(13,980)	-	-
Other expenses		(3,259)	-	-
Others, net		15	18	56
		10,294	311,929	72,663

The management of the Group has settled all its obligations in relation to its cessation of operations of TPC in 2010. In 2010, the Group settled its municipal tax assessment obligation.

In 2009, the Company has advances payable with Greenkraft Corporation and Investments 2234 Philippines Fund I (SPV-AMC), Inc., which aggregated to P30,148 thousand pertaining to payment of real property taxes. In 2010, these were fully settled upon disposal of the Company's asset as part of the loan restructuring discussed in Note 1. Further, the Company recognized a gain from the condonation of third party payables amounting to P38,621 thousand.

Other expenses pertain to charges for tax assessments, equity trust and other administrative expenses.

Note 20 - Finance cost

Finance cost amounting to P74,712 thousand in 2010 pertains to interest expense arising from the Company's borrowings (Note 13). There is no interest expense incurred in 2012 and 2011 due to the 2-year grace period provided by the Company's major creditors as discussed in Note 1.

Note 21 - Others

(a) Commitments and contingent liabilities

In the normal course of business, the Group has various outstanding commitments and contingent liabilities, such as commitments on lease, and suits/claims under litigation which are not shown in the consolidated financial statements and pending tax assessments that are presently being contested.

In the opinion of the management of the Group, based on the advice of its external legal counsels, the ultimate disposition of the foregoing commitments and contingencies will not have a significant effect on the consolidated financial condition or operating results of the Group.

(b) Lease agreements

TPC leases its office space, factory and warehouses from Treasure Island Industrial Corporation (TIIC) for a period of five years until April 30, 2009. On August 20, 2008, TIIC filed a case for ejectment, mandatory injunction and damages against TPC in the Municipal Trial Court Branch 2 in Mandaue City for failure to promptly pay monthly rentals. On December 3, 2008, a decision was rendered by the Court finding that TIIC's complaint is meritorious and ordered TPC to vacate the subject premises and improvements and restore TIIC's possession thereof (Note 1). In 2009, the obligation of TPC in relation to the above case were partially settled and fully settled in 2010.

The Company has existing lease agreements covering its office space, warehouses and other facilities it presently occupies in Davao City for a period of one (1) year, and a sales office in General Santos City for a period of five (5) years until December 2015, renewable under terms and conditions to be agreed upon by all parties. Security deposits paid by the Company as required under the terms and covering lease agreements amounted to P1,378 thousand and are classified as non-current assets (Note 11). Rent expense for the years ended December 31, 2012, 2011 and 2010 under the lease agreements amounted to P4,942 thousand, P5,400 thousand and P840 thousand, respectively and are charged to cost of services (Note 17).

The minimum future annual rental commitments on operating lease are as follows:

	2012	2011	2010
Within one year	924	840	2,232
After one year but not more than 5 years	1,940	2,864	-
	2,864	3,704	2,232

In March 2007, SCPC entered into an agreement with a third party to lease some of its machinery and equipment (Note 9) and portion of its warehouse. The term of the lease is five (5) years with annual rental of P2,232 thousand, net of value-added taxes in 2010, subject to renegotiation after a period of one year from commencement date. The lease was terminated in 2010.

(c) Tolling agreements

The SMPC, operating subsidiary of the Company has tolling agreements with certain customers wherein these customers will provide the paper rolls for SMPC to process or manufacture into corrugated fiber board boxes at a guaranteed volume subject to the production frequency and specifications to be agreed by both parties. For the services provided, the Company will receive tolling fees. For 2012, tolling services are made on a per purchase order basis and reported as service income.

Note 22 - Foreign currency denominated assets and liabilities

The Group's foreign currency denominated assets and liabilities (in U.S.$) as at December 31 are as follows:

	2012	2011
Current assets	$ 351	$ 585
Current liabilities	-	-
Net foreign currency denominated assets	351	585
Exchange rate	41.05	43.60
Peso equivalent	14,408	25,506

Details of net foreign exchange gains (losses) for the years ended December 31 are as follows:

	Note	2012	2011	2010
Realized foreign exchange gains (losses)		1,388	3,222	(962)
Unrealized foreign exchange (losses) gains		530	(422)	-
	19	1,918	2,800	(962)

Note 23 - Related party transactions

In the normal course of business, the Company transacts with companies which are considered related parties under PAS 24, Related Party Disclosures. The significant related party transactions and balances as at and for the year ended December 31, 2012 follow:

Related party	Transactions	Outstanding Balances	Terms and conditions
Associate			
Asset-held-for-sale	118	120,849	Investment was reclassified to asset-held-for sale since it is part of dacion en pago arrangement (Notes 8 and 13)
Payable to	90	19,982	The outstanding balances are due and demandable. These are unsecured, non-interest bearing and payable in cash and on demand (Note 12).
Other entities controlled by key management personnel			
Sales/Trade receivables	128,393	13,080	The outstanding balances are due 30 days after the date of sale. These are unsecured and non-interest bearing and collectible in cash.
Purchases/Trade payable	316,639	352,403	Payable in 30 days. These are unsecured, non-interest bearing and payable in cash and on demand.
Borrowings	118	568,301	Refer to Notes 1c and 13.
Key management personnel			
Salaries and other employee benefits	1,797	-	Payable on a monthly basis except for retirement benefits which payment is upon retirement of employees (Note 15). There are no payable to or receivable from key management as of December 31, 2011.
Pension benefits	27	305	

The significant related party transactions and balances as at and for the year ended December 31, 2011 follow:

Related party	Transactions	Outstanding Balances	Terms and conditions
Associate			
Asset-held-for-sale	-	134,802	Investment was reclassified to asset-held-for sale since it is part of dacion en pago arrangement (Note 8)
Payable to	(267)	20,072	The outstanding balances are due and demandable. These are unsecured, non-interest bearing and payable in cash and on demand (Note 12).
Other entities controlled by key management personnel			
Purchases/Trade payable	574,713	385,319	Payable in 30 days. These are unsecured, non-interest bearing and payable in cash and on demand.
Other liabilities	1,563	1,563	The outstanding balances are due and demandable. These are unsecured, non-interest bearing and payable in cash and on demand.
Borrowings	307,686	568,419	Refer to Notes 1c and 13.
Key management personnel			
Salaries and other employee benefits	4,516	-	Payable on a monthly basis
Pension benefits	34	363	except for retirement benefits which payment is upon retirement of employees (Note 15). There are no payable to or receivable from key management as of December 31, 2011.

The significant related party transactions and balances as at and for the year ended December 31, 2010 follow:

Related party	Transactions	Outstanding Balances	Terms and conditions
Associate			
Asset-held-for-sale	-	134,802	Investment was reclassified to asset-held-for sale since it is part of dacion en pago arrangement (Note 8)
Share in financial performance	55,197	-	Share in net losses of an associate
Payable to	257	20,339	The outstanding balances are due and demandable. These are unsecured, non-interest bearing and payable in cash and on demand (Note 12).
Other entities controlled by key management personnel			
Purchases/Trade payable	335,011	166,346	Payable in 30 days. These are unsecured, non-interest bearing and payable in cash and on demand.
Borrowings	185,434	876,105	Refer to Notes 1c and 13.

Related party	Transactions	Outstanding Balances	Terms and conditions
Key management personnel			
Salaries and other employee benefits	3,346	-	Payable on a monthly basis except for retirement benefits which payment is upon retirement of employees (Note 15). There are no payable to or receivable from key management as of December 31, 2010.
Pension benefits	45	359	

There were neither stock options nor other long-term benefits given to key management personnel in 2012, 2011 and 2010. There are no outstanding receivable and payable to key management personnel as well in 2012 and 2011.

The related party receivables and payables as at and for the years ended December 31 with subsidiaries which were eliminated in the consolidation are as follow:

	2012	2011
Trade receivables	197	39,235
Trade payables	62,022	18,489
Advances to subsidiaries	218,465	354,516
Due from related parties	89,025	88,848

There are no transactions entered into during the year with other subsidiaries and entities under common control other than those disclosed above.

Note 24 - Segment information

The primary reporting format of business segments are the areas of operations comprising the manufacturing of corrugated carton containers, and other segments for administrative services and lease of properties. The Group's business segments operate in two main geographical areas namely Mindanao and Cebu but Cebu operations has temporarily ceased in 2008 (Note 1).

In 2012, the Group operating segment is only its manufacturing plant in Mindanao and lease of property with the following information:

	Manufacturing	All other segments	Total
Revenues			
Net product sales	531,591	-	531,591
Service, rent, and interest income	48,858	5,400	54,258
Inter-segment rent and interest income	-	(5,400)	(5,400)
Total segment revenues	580,449	-	580,449
Inter-segment interest expense	-	-	-
Total segment operating profit	22,774	10,992	33,766

The segment results for the years ended December 31, 2011 and 2010 are as follows:

	Manufacturing	All other segments	Total
2011			
Revenues			
Net product sales	569,935	-	569,935
Service, rent, and interest income	41,348	5,400	46,748
Inter-segment rent and interest income	-	(5,400)	(5,400)
Total segment revenues	611,283	-	611,283
Inter-segment interest expense	987	-	987
Total segment operating profit (loss)	22,751	(9,748)	13,003
2010			
Revenues			
Net product sales	618,174	-	618,174
Service, rent, and interest income	59,967	7,632	67,599
Inter-segment rent and interest income	-	(5,400)	(5,400)
Total segment revenues	678,141	2,232	680,373
Inter-segment interest expense	7,489	82,478	89,967
Total segment operating profit (loss)	45,208	(24,060)	21,148

The segment assets and liabilities for the years ended December 31, 2012 and 2011 are as follows:

	Manufacturing		All other	
	Mindanao	Cebu	segments	Total
2012				
Segment assets	397,247	109,641	332,593	839,481
Segment liabilities	388,626	57,909	561,893	1,008,428
2011				
Segment assets	442,614	142,472	273,372	858,458
Segment liabilities	553,492	92,768	391,901	1,038,161

The segment capital expenditure, depreciation and amortization expense for the years ended December 31, 2012, 2011, and 2010 are as follows:

	Manufacturing	All other segments	Total
2012			
Capital expenditure	10,503	8,810	19,313
Depreciation and amortization expense	8,583	177	8,760
2011			
Capital expenditure	15,474	-	15,474
Depreciation and amortization expense	10,752	83	10,835
2010			
Capital expenditure	25,191	4,567	29,758
Depreciation and amortization expense	9,333	24,347	33,680

SECOND SECTION

Schedule A

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Financial Assets
December 31, 2012
(All amounts in Philippine Peso, except number of shares)

Name of Issuing Entity	Number of shares	Amount shown in the statement of financial position	Income received and accrued
Available-For-Sale			
PLDT	27,332	265,883	-
Fil-Estate	1	540,000	-
Meralco	15,477	154,770	-
		960,653	-

Schedule B.1

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Shareholders
(Other than Related Parties)
(All amounts in Philippine Peso)

Name	December 31, 2011	Additions	Collections	Current	December 31, 2012
Akut, Barry	-	5,444	-	5,444	5,444
Andrade, Ruby	-	3,437,267	-	3,437,267	3.437,267
Axalan, Jason	2,748	4,041	(2,748)	1,293	4,041
Balansag, Clarissa	-	25,820	-	25,820	25,820
Bumaya, Melanie	1,163	2,889	(1,163)	1,726	2,889
Cabales, Joseph Anthony	-	11,556	-	11,556	11,556
Cajustin, Jomel	4,122	12,123	(4,122)	8,001	12,123
Camangian, Paul Richard	-	2,000,000	-	2,000,000	2,000,000
Cancolita, Sofronio	5,389	14,278	(13,889)	389	5,778
Conahap, Abnier	6,160	25,556	(16,160)	9,396	15,556
Cosicol, James	-	5,778	-	5,778	5,778
Domingo, Rommel	1,163	7,909	(1,183)	6,726	7,889
Espina, Jonathan	10,334	5,778	(10,334)	(4,556)	5,778
Fortich, Dennis	-	12,778	(7,000)	5,778	5,778
Fortuoza, Julius	2,326	11,778	(8,326)	3,452	5,778
Frontreras, Ryan	7,845	17,056	(13,345)	3,711	11,556
Gabaisen, Melissa Jane	10,391	25,778	(15,391)	10,387	20,778
Gascon, Evangeline	10,857	40,000	(15,857)	24,143	35,000
Golingan, Genesis Goldi	-	2,000,000	-	2,000,000	2,000,000
Jabines, Lucille	16,942	2,731	(18,237)	(15,506)	1,436
Jabines, Ranyl	4,667	10,420	(9,309)	1,111	5,778
Jimlani, Quennie	-	8,667	-	8,667	8,667
Lanohan, Rey	-	8,667	-	8,667	8,667
Malisa, Ivy Rose	-	8,476	(5,587)	2,889	2,889
	84,107	7,704,790	(142,651)	7,562,139	7,646,246

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Shareholders
(Other than Related Parties)
(All amounts in Philippine Peso)

Name	December 31, 2011	Additions	Collections	Current	December 31, 2012
Total from Sched. B.1	84,107	7,704,790	(142,651)	7,562,139	7,646,246
Onin, Vieta	318	10,000	(6,818)	3,182	3,500
Registos, Allan	5,826	8,667	(5,826)	2,841	8,667
Tabac, Edison	11,849	19,123	(18,849)	274	12,123
Tio, Ian Anthony	-	7,215	(4,326)	2,889	2,889
Masangkay, Nora	1,163	2,889	(1,163)	1,726	2,889
Murillo, Martin Jr.	-	12,841	(9,952)	2,889	2,889
Negrido, Marvin Volks	-	5,778	-	5,778	5,778
Pabillaran, Josephine	9,655	-	(7,200)	(7,200)	2,455
Pasa-an, Leah	2,326	5,778	(2,326)	3,452	5,778
Patanao, Giovanni	1,163	23,959	(11,163)	12,796	13,959
Sayre, Mucsan	1,163	2,889	(1,163)	1,726	2,889
Segarino, Ronald	1,163	5,389	(3,663)	1,726	2,889
Sorima, Anastacio	-	26,473	(14,917)	11,556	11,556
Soylon, Gilbert	-	5,444		5,444	5,444
Ulan, Jim	1,163	5,437	(3,711)	1,726	2,889
Valmores Ruben	2,500	16,000	(13,378)	2,622	5,122
Balsabas, Restauro	6,874	-	(6,874)	(6,874)	-
Camansi, Nomer	1,374	-	(1,374)	(1,374)	-
Diaz, Michelle	2,326	-	(2,326)	(2,326)	-
	132,970	7,862,672	(257,680)	7,604,992	7,737,962

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Shareholders
(Other than Related Parties)
(All amounts in Philippine Peso)

Name	December 31, 2011	Additions	Collections	Current	December 31, 2012
Total from Sched. B.2	132,970	7,862,672	(257,680)	7,604,992	7,737,962
Tagalog, Mateo	2,326	-	(2,326)	(2,326)	-
Tee, Katherine Joy	2,326	-	(2,326)	(2,326)	-
Tenio, Narciso	3,671	-	(3,671)	(3,671)	-
Torres, Federico	14,785	-	(14,785)	(14,785)	-
Tuastumban, Pablo	2,743	-	(2,743)	(2,743)	-
Villacarlos, Fustino	3,473	-	(3,473)	(3,473)	-
Yana, Ruth Kathryne	1,163	-	(1,163)	(1,163)	-
Enojo, Michelle	2,326	-	(2,326)	(2,326)	-
Herrera, Bryan	1,548	-	(1,548)	(1,548)	-
Manrique, Nilo	2,748	-	(2,748)	(2,748)	-
Melendres, Adora	2,748	-	(2,748)	(2,748)	-
Pabillaran, Edgar	4,122	-	(4,122)	(4,122)	-
Ponce, Analie	9,326	-	(9,326)	(9,326)	-
Potestas, Evangeline	10,857	-	(10,857)	(10,857)	-
Pusod, Elmer	1,374	-	(1,374)	(1,374)	-
Rapirap, Raul	1,374	-	(1,374)	(1,374)	-
Urbuda, Jessica	4,122	-	(4,122)	(4,122)	-
Alcala, Edward	273	-	(273)	(273)	-
Badilles, Diogenes	2,326	-	(2,326)	(2,326)	-
Bautista, Edgar	1,163	-	(1,163)	(1,163)	-
Cagampang, Roy	16,166	-	(16,166)	(16,166)	-
Galolo, Rene	3,489	-	(3,489)	(3,489)	-
Indiano, Ronnie	11,171	-	(11,171)	(11,171)	-
Jabilles, Jerry	2,917	-	(2,917)	(2,917)	-
Jarlata, Eduardo	4,496	-	(4,496)	(4,496)	-
Maluping, Jeffrey	5,627	-	(5,627)	(5,627)	-
Ofamin, Ramil Jun	1,578	-	(1,578)	(1,578)	-
Patarata, Jeffrey	3,712	-	(3,712)	(3,712)	-
Pia, Jeremias	4,217	-	(4,217)	(4,217)	-
Polistico, Jade	1,163	-	(1,163)	(1,163)	-
Saliwo, Lucelle	15,779	-	(15,779)	(15,779)	-
Somo, Paul	1,163	-	(1,163)	(1,163)	-
Suhayon, Marven	2,326	-	(2,326)	(2,326)	-
Other various employees	15,667	-	(15,667)	(15,667)	-
	297,235	7,862,672	(421,945)	7,440,727	7,737,962

Schedule C

Steniel Manufacturing Corporation and Subsidiaries

Amounts Receivable/Payables with Related Parties which are eliminated
during the consolidation of financial statements
December 31, 2012
(All amounts in thousand Philippine Peso)

Name and designation of debtor	December 31, 2011	Addition/ (Deduction)	Assignment/ Condonation	Conversion	Current	Non-current	December 31, 2012
Trade receivables							
TPC	197	-	-	-	197	-	197
SMPC	39,038	(39,038)	-	-	-	-	-
	39,235	(39,038)	-	-	-	-	197
Trade payables							
SCPC	6,332	350	-	-	-	-	6,682
TPC	55,340	-	-	-	-	-	55,340
	61,672	350	-	-	-	-	62,022
Advances to subsidiaries, at gross							
SCPC	21,089	196,976	-	-	-	-	218,065
MPPC	74,255	(73,855)	-	-	-	-	400
MPPPI	118,618	(118,618)	-	-	-	-	-
SMPC	132,668	(15,011)	-	(117,657)	-	-	-
	346,630	(10,508)	-	(117,657)	-	-	218,465
Due from related party							
TPC	88,848	85	(32,553)	-	-	-	56,380
SMPC	-	92	32,553	-	-	-	32,645
	88,848	177	-	-	-	-	89,025

Schedule D

Steniel Manufacturing Corporation and Subsidiaries

Intangible Assets - Other Assets
December 31, 2012
(All amounts in Philippine Peso)

Description	December 31, 2011	Additions	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	December 31, 2012
			N O N E			

Schedule E

Steniel Manufacturing Corporation and Subsidiaries

Long-Term Debts
December 31, 2012 and 2011
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debts" in related statement of financial position	Amount shown under caption" Long-term debts" in related statement of financial position
Loan	568,301,054	-	568,301,054

Schedule F

Steniel Manufacturing Corporation and Subsidiaries

Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
December 31, 2012 and 2011
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholder/key management personnel	568,301,054	568,301,054

Schedule G

Steniel Manufacturing Corporation and Subsidiaries

Guarantees of Securities of Other Issuers
December 31, 2012 and 2011
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issues of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
		NONE		

Schedule H

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Share Capital
December 31, 2012 and 2011
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of shares issued, subscribed and outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by directors and officers
Common shares	1,000,000,000	1,000,000,000	-	1,000,000,000

Steniel Manufacturing Corporation and its Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations effective as at December 31, 2012

The following table summarizes the effective standards and interpretations as at December 31, 2012:

		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			✓

		Adopted	Not Adopted	Not Applicable
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 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 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			✓
PFRS 8	Operating Segments	✓		
PFRS 9*	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
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	✓		

		Adopted	Not Adopted	Not Applicable
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	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)*	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
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 Plan			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)*	Separate Financial Statements		✓	
PAS 28	Investments in Associates	✓		

		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)*	Investments in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
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 Issue			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
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			

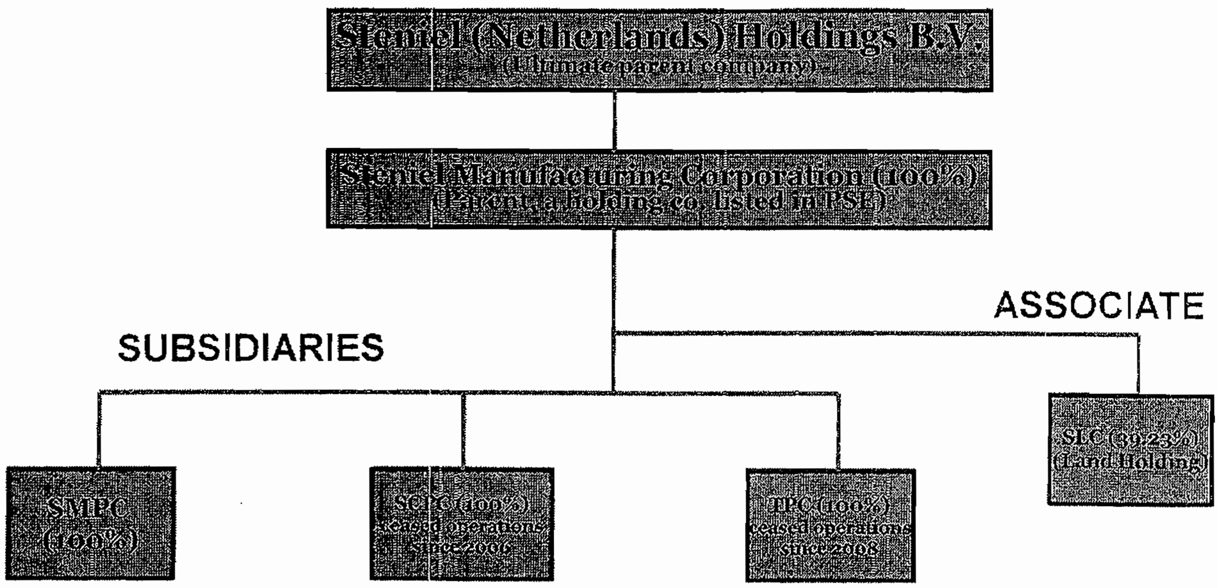
		Adopted	Not Adopted	Not Applicable
				✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities 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 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

		Adopted	Not Adopted	Not Applicable
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		✓	
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			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓

* These are standards, interpretations and amendments to existing standards that have been issued but not yet effective as at December 31, 2012.

Not applicable - Standards and interpretations that are effective as at December 31, 2012 but will never be relevant/applicable to the Company or currently not relevant to the Company because there are currently no related transactions.

Steniel Manufacturing Corporation and its subsidiaries
A map of group of companies



<u>SUBSIDIARIES:</u>
SMPC - Steniel Mindanao Packaging Corporation
SCPC - Steniel Cavite Packaging Corporation
TPC - Treasure Packaging Corporation

<u>ASSOCIATE:</u>
SLC - Steniel Land Corporation

ANNEX "D"

111152013001790

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000023736
Company Name	STENIEL MFG. CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111152013001790
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2013
No. of Days Late	0
Department	CFD
Remarks	WITH LETTER

STENIEL MANUFACTURING CORPORATION

November 15, 2013

Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

Attention: **Dir. Vicente Graciano P. Felizmenio, Jr.**
Markets and Securities Regulation Department

Re: Quarterly Report as of September 30, 2013

Gentlemen:

We submit herewith SEC Form 17-Q for the period ended September 30, 2013 of Steniel Manufacturing Corporation. This report is subject of our request for additional time to file (on SEC Form 17-L) submitted to this Honorable Commission on November 14, 2013.

Thank you.

Very truly yours,

Christina Eden M. Rondario
Assistant Corporate Secretary

Encl.: a/s

COVER SHEET

2 3 7 3 6
SEC Registration Number

S T E N I E L   M A N U F A C T U R I N G

C O R P O R A T I O N

(Company's Full Name)

Gateway Business Park,

Javalera, Gen. Trias, Cavite

(Complete Business Address)

Delma P. Bermundo
Contact Person

+63 (46) 433-0066
Company Telephone Number

1 2	3 1	S E C 17 Q	0 9	3 0
Month	Day	Form Type	Month	Day

Secondary License Type, if applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SEC Number 23736
File Number ____

Steniel Manufacturing Corporation
(Company's Full Name)

Gateway Business Park,
Javalera, General Trias, Cavite
(Company's Address)

(046) 433-0066
(Telephone)

Not Applicable
(Fiscal Year Ending)
(month & day)

Form 17-Q
Form Type

Not Applicable
Amendment Designation
(If applicable)

September 30, 2013
Period Date Ended

Not Applicable
Secondary License Type
and File Number

SECURITIES AND EXCHANGE COMMISSION

Form 17-Q

STENIEL MANUFACTURING CORPORATION

Quarterly Report Pursuant to Section 17
of the Securities Regulation Code
and SRC Rule 17(2)(b) Thereunder

1. For the quarterly period ended	:	September 30, 2013
2. SEC Identification Number	:	23736
3. BIR Tax Identification Number	:	000-099-128
4. Exact Name of Registrant	:	Steniel Manufacturing Corporation
5. Country of Incorporation	:	Metro Manila, Philippines
6. Industry Classification Code	:	
7. Address of principal office	:	Gateway Business Park Javalera, Gen. Trias, Cavite
8. Registrant's telephone number	:	(046) 433-0066

9. Securities registered pursuant to Sections 8 and 12 of Code, or Sections 4 and 8 of the RSA

Title of class	Number of shares outstanding
Common shares	1,000,000,000*[1]

*[1] *Reported by the stock transfer agent as of September 30, 2013*

10. The Registrant's common shares are listed on the Philippine Stock Exchange.

11. (a) The Registrant has filed all reports required to be filed pursuant to Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months.

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

TABLE OF CONTENTS

SIGNATURES

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

Registrant	:	Steniel Manufacturing Corporation By
Signature	:	Delma P. Bermundo
Title	:	Chief Finance Officer
Date	:	November 14, 2013

Distribution : *3 copies - Securities & Exchange Commission*
1 copy - File/receiving copy

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME/(LOSS)
UNAUDITED

(In Thousands)	For the Nine Months Ended 30, September 2013	2012	For the Three Months Ended 30, September 2013	2012
Revenues	459,975	433,512	190,947	128,549
Cost of Goods Sold	412,349	432,274	161,617	130,951
Gross Profit	47,627	1,237	29,330	(2,403)
Operating Expenses	10,068	26,460	4,476	10,179
Income/(Loss) from Operations	37,559	(25,223)	24,854	(12,582)
Financing Charges, Net				
Loss Before Other Income/(Charges)	37,559	(25,223)	24,854	(12,582)
Other Income/(Charges)	273	3,671	(418)	4,341
Income/(Loss) Before Taxes	37,832	(21,552)	24,435	(8,241)
Provision for Taxes	(817)	(13)	(487)	(13)
Net Income/(Loss) for the Period	37,015	(21,565)	23,948	(8,254)
Loss Per Common Share in centavos *	0.037	(0.022)	0.024	(0.008)

** Basic earnings (loss) per commom share is calculated by dividing the net loss or income for the period by the weighted average number of shares outstanding after giving retroactive effect to stock dividends, if any, during the period. The Company has no dilutive potential common shares.*

Please refer to the accompanying Notes to Unaudited Interim Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

(In Thousands)	For the Nine Months Ended 30, September 2013	2012	For the Three Months Ended 30, September 2013	2012
Capital stocks				
Authorized				
1,000,000,000 common shares				
Php 1 par value per share				
Issued and outstanding shares				
September 30, 2012				
1,000,0C0.00				
September 30, 2011				
1,000,000.00	1,000,000	1,000,000	1,000,000	1,000,000
Additional paid-in capital	414,632	414,632	414,632	414,632
Retained earnings/(deficit)				
Beginning	(1,583,579)	(1,594,335)	(1,570,512)	(1,607,645)
Net Loss for the period	37,014	(21,565)	23,948	(8,254)
Ending	(1,546,565)	(1,615,900)	(1,546,564)	(1,615,899)
Balanc€	(131,933)	(201,267)	(131,933)	(201,267)

Please refer to the notes in the preparation of the consolidated interim financial statements on page 16.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(In PhpThousands)	Unaudited September 30 2013	Audited December 31 2012	Unaudited September 30 2012
Current Assets			
Cash and cash equivalents	34,863	17,117	4,986
Trade and other receivables	333,935	311,686	232,280
Inventories	168,228	172,401	235,352
Prepayment and other current assets	3,653		1,217
	540,679	501,204	473,835
Assets held for sale	216,677	216,677	230,630
Total current assets	757,355	717,881	704,465
Non-current Assets			
Property, Plant and Equipment	55,101	48,971	36,621
Investment in shares of Associate	-		-
Input Tax	65,196	65,196	88,681
Other Assets	15,143	7,433	7,730
Total non-current Assets	135,440	121,600	133,032
	892,796	839,481	837,497
Current Liabilities			
Loans and trust receips payable			
Accounts payable and accruals	456,427	440,127	464,202
Total current liabilities	456,427	440,127	464,202
Non-current Liabilities			
Long-term borrowings	568,301	568,301	568,419
Pension benefit obligations			6,143
Total non-current Liabilities	568,301	568,301	574,562
Stockholders' Equity	(131,932)	(168,947)	(201,267)
	892,796	839,481	837,497

The notes on pages 1 to 47 are an integral part of these consolidated financial statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET STATEMENT OF CASH FLOWS
UNAUDITED

(In PhpThousands)	For the Nine Months Ended 30, September 2013	For the Nine Months Ended 30, September 2012	For the Three Months Ended 30, September 2013	For the Three Months Ended 30, September 2012
CASH FLOWS - OPERATING ACTIVITIES				
Net Loss for the period	37,015	(21,565)	23,948	(8,255)
Depreciation and amortization	10,740	10,291	3,122	3,389
Changes in working capital:				
(Increase)/decrease in:				
Receivables, net	(22,249)	6,437	(8,180)	8,374
Inventories	4,173	14,042	(10,170)	(24,099)
Prepayment and other current assets	(3,653)	(1,217)	(1,411)	493
Increase/(decrease) in:				
Accounts payable and accruals	16,300	603	22,485	27,429
	42,326	8,591	29,794	7,331
CASH FLOWS - INVESTING ACTIVITIES				
Additions to property, plant & equipment	(16,870)	(8,493)	(2,774)	(4,106)
(Increase)/decrease in available for sale financial	(5,931)		(5,947)	
Decrease in other assets/investments in affiliates	(1,779)	(2,161)	(50)	(4,832)
	(24,580)	(10,654)	(8,771)	(8,938)
NET DECREASE IN CASH & CASH EQUIVALENTS	17,746	(2,063)	21,023	(1,607)
CASH & CASH EQUIVALENTS, Beginning	17,117	7,049	13,840	6,593
CASH & CASH EQUIVALENTS, Ending	34,863	4,986	34,863	4,986

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Steniel Manufacturing Corporation ("SMC or the Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 13, 1963. The Securities and Exchange Commission has granted extending the company's term of existence on September 11, 2013. The Company and its subsidiaries (the " Steniel Group") are engaged in the manufacturing, processing, and selling of all kinds of paper products, paper board and corrugated carton containers, and all other allied products and processes. The Company is listed in the Philippine Stock Exchange, Inc.

The ultimate parent of the Company is Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam is the registered owner of 82.2716% of the shares of the Group prior to restructuring of the loan in 2010. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010, remaining unissued share capital of the Company totaling 123,818 shares were issued to Roxburgh Investment Limited to reduce the Company's outstanding debts. As a result, Roxburgh Investment Limited now owns 12.3818% of the Company, while the ownership of certain directors and officers of the Group as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the major and minority shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total; a limited liability company incorporated in British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With this sale of shares by SNHBV, Right Total is now the owner of the 72.0849% shares of the Company consequently making it its ultimate holding company.

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 27.92% shares of minority investing public of the total issued shares at a price of P0.0012 per share or an aggregate price of P334,981. Payment of the price of the tender shares validly tendered and accepted for payment shall be by way of checks which shall be made available for pick up at the office of BDO Securities, Inc. three (3) days after the tender shares are crossed at PSE.

The Company's registered address and principal office is located at Gateway Business Park, Barrio Javalera, Gen. Trias, Cavite, Philippines.

The unaudited interim consolidated financial statements of the Company and its subsidiaries have been approved and authorized for issuance by the Company's Board of Directors on November 14, 2013.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2012 annual audited consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of and for the year ended December 31, 2012.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited interim consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited interim consolidated financial statements include the accounts of Steniel Manufacturing Corporation and its subsidiaries. The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), and all values are rounded to the nearest thousands except when otherwise indicated.

Standards, amendments and interpretations to published standards effective 2012 and onwards:

(a) New and amended standards adopted by the Group

There are no PFRS or IFRIC and PIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2012 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *PAS 19 (Amendment), Employee Benefits* (effective January 1, 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. They would also require recognition of all actuarial gains and losses in other comprehensive income as they occur and of all past service costs in profit or loss. The amendments replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group has yet to assess the full impact of the amendments and intends to adopt the amendment beginning January 1, 2013.

- *PFRS 9, Financial Instruments* (effective January 1, 2015). This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39 that relate to the classification and measurement of financial instruments. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Group has yet to assess the full impact of PFRS 9 and intends to adopt PFRS 9 beginning January 1, 2015. The Group will also consider the impact of the remaining phases of PFRS 9 when issued.

- *PFRS 10, Consolidated Financial Statements* (effective January 1, 2013). This new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of PFRS 10 and intends to adopt PFRS 10 beginning January 1, 2013.

• *PFRS 12, Disclosures of Interests in Other Entities* (effective January 1, 2013). This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has yet to assess the full impact of PFRS 12 and intends to adopt PFRS 12 beginning January 1, 2013.

• *PFRS 13, Fair Value Measurement* (effective January 1, 2013). This new standard aims to improve consistency and reduce complexity by providing a clarified definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned with IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRS or US GAAP. The Group has yet to assess the full impact of PFRS 13 and intends to adopt PFRS 13 beginning January 1, 2013.

•

Amendment and interpretation to existing standards that are not yet effective and not relevant to the Group

- *PFRS 1 (Amendment), First-time Adoption of PFRS - Fixed Dates and Hyperinflation* (effective July 1, 2011).
- *Philippine interpretation IFRIC 15, Agreements for the Construction of Real Estate* (effective January 1, 2012 but SEC has defer the mandatory adoption).

2.2 Basis of Consolidation

The consolidated financial statements include the separate financial statements of the Company and the following subsidiaries incorporated in the Philippines:

	Percent of ownership
Steniel Cavite Packaging Corporation (SCPC)	100
Treasure Packaging Corporation (TPC)	100
Steniel Mindanao Packaging Corporation (SMPC)	100

The Company also has a 39.71% interest in Steniel Land Corporation (SLC), an associate. In 2012, after the dacion en pago from Steniel Group loan restructuring plan in 2010, all of the shares of TPC and MPPC were assigned to Greenkraft Corporation, a company incorporated in the Philippines. Following the sale of shares, SMC's ownership with SLC is now 39.23%.

2.3. Cash and cash equivalents

Cash at September 30 consist of cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates between 0.25% to 0.625%.

2.4 .Trade and other receivables

Trade and other receivables consist of:

	September 30, 2013	December 31, 2012
Trade Receivables	97,418	76,110
Allowance for doubtful accounts	(45,840)	(43,613)
	51,578	32,497
Non-trade receivables:		
Creditable withholding taxes	113,110	111,361
Excess Input VAT	110,413	104,566
Other receivables	70,436	74,636
	293,959	290,563
Allowance for doubtful accounts	(11,602)	(11,373)
	333,935	311,687

2.5. Inventories

Inventories stated at costs consist of:

	September 30, 2013	December 31, 2012
Finished goods	10,264	10,688
Work-in-process	6,111	4,536
Raw materials	121,116	128,312
Materials and supplies	30,737	28,865
	168,228	172,401

The above inventories are pledged as collateral to the Group's borrowings.

2.6 .Assets held-for-sale

This pertains to remaining assets and shares of stocks in an associate held for sale pursuant to the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell.

2.7 Accounts payables and accruals

Accounts payables and accruals consist of:

	September 30, 2013	December 31, 2012
Trade Payables	381,171	383,752
Accruals and others	55,285	36,393
Payable to an associate	19,971	19,982
	456,427	440,127

2.8. Long-term Borrowings

Long-term borrowings consist of:

	September 30, 2013	December 31, 2012
Greenkraft Corporation	380,578	380,578
Roxburgh Investments Limited	187,723	187,723
	568,301	568,301

The above secured loans were originally obtained from the lenders under the Omnibus Agreement's revolving working capital facility with annual interest rates.

A substantial portion of the property and equipment of the Company and its subsidiaries, and present and future receivables and inventories of its subsidiaries are used as collateral for the term loans and revolving capital facilities in accordance with the Omnibus Agreement. Further, the Omnibus Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries, with respect to, among others, (a) restriction on the declaration of dividends, incurrence of significant capital expenditures and commitments, and merger or consolidation; and (b) maintenance of current and debt-to-equity ratios of at least 1:1 and 1.5:1, respectively. Requirements on certain financial ratios were not met.

The Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005, and 2006 and was declared by the lending banks in default on May 24, 2006. During the last quarter of 2006, a lending bank informed the Company of the assignment and sale of its outstanding balance of the loan to Greenkraft Corporation, a third party. Similarly, another lending bank advised the Company in June 2007 that it has also assigned its titles and rights relative to the loan to Investments 2234 Philippines Fund I (SPV-AMC), Inc. and in 2010, the latter assigned its titles and rights to the loan to Greenkraft Corporation. In 2009, the other lending bank also assigned its title and rights to the loan to Roxburgh Investments Limited.

On October 14, 2010, Greenkraft Corporation assigned its loans receivables amounting to P296,510 thousand to Roxburgh Investments Limited.

Consequently, the Company and its major creditors/lenders signed the Amended Agreement on October 15, 2010. The restructuring of the loan finally resolved the default situation. The Company's accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned during the year by its major creditors amounting to P294,634 thousand. In addition, the accrued interest in 2010 amounting to P13,052 thousand was also reversed in 2011 in relation to the 2-year grace period provided by its creditors.

2.9. .Share capital

Share capital as at September 30, 2013 and December 31, 2012 consist of:

	No. of Shares	Par value per share	Amount
Authorized	1,000,000,000	1	1,000,000,000
Issued and outstanding	1,000,000,000	1	1,000,000,000

2.10 .Others

(a) Commitments and contingent liabilities

In the normal course of business, the Group has various outstanding commitments and contingent liabilities, such as guarantees, commitments to extend credit facilities, commitments on lease, and suits/claims under litigation which are not shown in the consolidated financial statements and pending tax assessments that are presently being contested.

In the opinion of the management of the Group, based on the advice of its external legal counsels, the ultimate disposition of the foregoing commitments and contingencies will not have a significant effect on the consolidated financial condition or operating results of the Group.

(b) Related party transactions

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

* * * * *

<u>***Exhibit 3***</u>

Part 1: PERFORMANCE INDICATORS

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) cost of goods sold, c) operating expenses, d) income from operations, and e) financial ratios. Sales revenue is measured both in metric tons (MT) and average selling prices (ASP). Total cost of goods sold for the period is expressed in peso per MT basis while both operating expenses and income from operations are expressed in absolute peso amounts. These indicators are monitored on a periodic basis and are compared against targets set at the beginning of each year.

<u>***Revenues***</u> Consolidated sales revenue for the third quarter of 2013 reached Peso 190.947 million with an equivalent volume of 4,590 MT. The revenue for the period is 49% higher than the actual revenue of Peso 128.549 million due to the increase of volume by 20% at 749MT of the same period last year. Of the total volume, all sales in volume of 3,623MT is 73% higher than 1,528MT of the same period last year with higher average selling price (ASP).

<u>***Cost of goods sold***</u> The Company reported a gross profit (GP) for the current period of Peso 26.580 million (GP rate of 14%) versus an actual GP for the same period last year of Peso 1.244Million. This is mainly due to the 18% improvement in total sales volume and improvement in average selling price of total all-in sales. The decrease of 4% on manufacturing overhead compared to same period last year contributed as well.

<u>***Operating expenses***</u> Operating expenses on a consolidated basis for the current quarter of Peso 3.366 million at 733 pesos per MT is 16% better than the same period last year of 758 peso per MT.

<u>***Income/(loss) from operations***</u> Overall, the Company reported an income from operations for the current quarter of Peso 23,214 million compared with the same period last year with actual loss of 1,670 million. Please refer to the reasons cited in the foregoing for the related explanations.

<u>***Financial ratios***</u> Consolidated current assets as at September 30, 2013 totaled Peso 757,355 million while current liabilities as at the same date totaled Peso 456,427 million. The increase in current assets as at current 3rd quarter-end as compared with the year-end balance of 717,881 was significantly attributed to higher revenues brought about by improved sales volume and collection. Consequential to this, cash and short term investments also increased by 104% compared with the year-end balance. Inventory level of paper, a major raw material slightly decreased compared to the same period last year. Accounts payable balances recorded an increase as at September 30, 2013 totaled Php 21,453 million compared to year end balance. With respect to long-term borrowings, there is no change between the balances during the current quarter as compared with those of year-end 2012. Working capital ratio as at September 30, 2013 is 1.7. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

Part 2: MANAGEMENT DISCUSSION AND ANALYSIS

General Information and Group Structure

The Company has three operating subsidiaries nationwide that produce their own corrugated boards for conversion to finished boxes. These facilities are located in Cavite, Cebu and Davao and each is fully equipped with corrugator and converting machines. The finished products are mainly used for packaging consumer goods, fresh fruits, canned sardines, furniture and electronic goods. Marketing activities are coordinated centrally for most of the Company's high volume customers. However, each of the operating subsidiaries is individually responsible for sales and marketing activities directed at their regional customers.

The business operations of Steniel Cavite Packaging Corporation (SCPC) gradually slowed down in 2006. The Board of Directors of SCPC approved the temporary cessation of plant operation on March 27, 2007 in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. The machines and equipment of SCPC were disposed via dacion en pago during 2010 to reduce long-term borrowing as part of the loan restructuring agreement. The dacion en pago of its buildings will be completed during the second semester of 2011. The salient points of the loan restructuring agreement are discussed in the succeeding portion of this report.

On August 20, 2008, Treasure Island Industrial Corporation (TIIC), owner of office space and warehouses, which Treasure Packaging Corporation (TPC) leases in Cebu, filed a case for ejectment, mandatory injunction and damages against TPC in the Municipal Trial Court Branch 2 (the "Court) in Mandaue City due to unpaid rental. On December 3, 2008, a decision was rendered by the Court finding that TIIC's complaint is meritorious and ordered TPC to vacate the subject premises and improvements and restore TIIC's possession thereof. Consequently, starting September 2008, TPC temporarily ceased its operations and separated all its employees. The Board formally approved the cessation of TPC's operation on March 10, 2009. Following its closure, the property and equipment of TPC were disposed of to partially settle its trade and other liabilities.

Effective year-end 2008, only the manufacturing facility in Davao under SMPC remains operational.

Prior to 2006, Steniel (Netherlands) Holdings B.V. (SNHBV), incorporated in Amsterdam is the registered owner of 82.2716% of the shares of the Group and the former is 100% owned by Steniel (Belgium) Holdings NV (SBHNV). In 2006, SBHNV sold its shares in SNHBV to certain directors and officers of the Group. With the sale of shares, the ultimate parent of the Company became SNHBV. The remaining 17.7284% of the shares are widely held.

Consequent to the restructuring of the loan in 2010 as discussed in the succeeding part of this report, remaining unissued share capital of the Company totalling 123,818 shares were issued to Roxburgh Investment Limited to reduce the Company's outstanding debts. As a result, Roxburgh Investment Limited now owns 12.3818% of the Company, while the ownership of certain directors and officers of the Group as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the major and minority shareholders of SNHBV entered into a Share Purchase Agreement with Right Total Investments Limited (Right Total; a limited liability company incorporated in British Virgin Islands as an investment company), to purchase up to 100% of the issued and outstanding shares of SNHBV. With this sale of shares by SNHBV, Right Total is now the owner of the 72.0849% shares of the Company consequently making it its ultimate holding company.

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 27.92% shares of minority investing public of the total issued shares at a price of P0.0012 per share or an aggregate price of P334,981. Payment of the price of the tender shares validly tendered and accepted for payment shall be by way of checks which shall be made available for pick up at the office of BDO Securities, Inc. three (3) days after the tender shares are crossed at PSE.

Status of Operation

On May 24, 2006, the lending banks declared the Company in default for failure to meet its quarterly principal amortizations and interest payments since March 2004. During the last quarter of 2006, one of the lending banks informed the Company of the assignment and sale of its loan to a third party. Similarly, another lending bank advised the Company in June 2007 that it has also assigned the titles and rights relative to its loan balance to a third party. In 2009, another lending bank advised the Company that it has also assigned its loan balance to an investment entity. In 2010, an investment entity advised the Company that its right to the loan balances was assigned to the third party in the agreement.

Due to the working capital drain experienced by the Company as a result of prior debt service payments and the difficult business and economic conditions during the period, the Company found it difficult to sustain further payments of debt while at the same time ensuring continued operations.

In 2009, discussions were made with the major creditors/lenders to restructure the outstanding loans. Subsequently, on October 15, 2010 the Company and the creditors/lenders signed the Amended and Restated Omnibus Agreement. The restructuring of the loan finally resolved the default situation. The essential elements of the Amended and Restated Omnibus Agreement are summarized below:

- The outstanding principal and accrued interest expense as at September 30, 2010 is restructured for 25 years.
- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.
- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in the Company's land holding entity, Steniel Land Corporation (SLC), (b) identified idle assets of the Company and its subsidiaries, and c) by way of conversion into equity through the issuance of the Company's unissued capital stock.
- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.
- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.
- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.
- The restructured accrued interest expense will be subject to interest of 8% per annum.
- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.
- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Company.
- All other costs and expenses of restructuring, including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Company; and
- Other conditions include:

a. Lenders representative to be elected as director in the Company and in each of its subsidiaries.
b. A 5-year Business Plan for the Company's operating subsidiary including the execution of raw material supply contracts.
c. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
d. No dividend declaration or payments until the restructured obligations are fully paid.
e. No new borrowing, unless with consent of the lenders.
f. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
g. Creditors' consent for change in material ownership in the Company and mortgagors.[
h. Standard covenants, representations and warranties.

The dacion en pago of the Steniel Group's idle machines and the equity conversion through the issuance of the Company's capital stocks have been completed as at December 31, 2010. The dacion en pago transaction reduced outstanding principal amount by P122 million while the equity conversion reduced outstanding accrued interest by P248 million. The dacion en pago relating to the shares in SLC and the Group's building for a total value of P290 million are still under negotiations with buyers on meeting the regulatory requirements on transfer of assets as at reporting date. The change of ultimate parent company during the end of reporting period also caused the delay in dacion en pago. Upon completion of the tender offer in SMC's share of the ultimate parent company and final agreement with buyers to meet regulatory requirements relative to the transfer of assets, the dacion en pago is expected to be completed in 2012.

On December 2, 2011, the major creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing of the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments on each interest payment date shall be made in accordance with the Amended and Restated Omnibus Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest, which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

Results of Operations

Consolidated sales revenue for the nine months ending September 30, 2013 reached Peso 459,975 million with an equivalent volume of 11,042 MT. The revenue for the period being reported is 6% higher than the revenue for the same period last year of Peso 433,512 million with an equivalent volume of 13,955 MT. The improvement in revenue was mainly due to improvement in All-in sales volume and an increase in actual all-in Average Selling Price (ASP).

The Company reported a GP for nine months ending September 30, 2013 of Peso 47,626 million (GP rate – 10%). This is higher than last year's nine months GP of Peso 1,237 million (GP rate –.0%) mainly due to increase in all-in ASP as discussed in the foregoing. With respect to manufacturing costs, the cost per MT of paper for the nine months period is unfavorable as compared with those for the same period in 2012. Similarly, the cost per MT of direct labor also unfavorable by about 8% during the nine months operation. Manufacturing overhead costs in absolute peso amount decreased by 22% during the period as compared with the same period of last year.

Operating expenses on a consolidated basis for the current period decreased by 22% to Peso 9,939 million as compared with last year's Peso 12,690 million. Continuing efforts are being implemented to control costs throughout the plants. Overall, the Company reported a net income from operations for the current quarter of Peso 23,214 million compared to last year's same period loss from operations of Peso 1,670 million.

As mentioned in the preceding, the Creditors granted the Company a 2-year grace in the payment of interest commencing on the restructuring date. Thus, there are no financing charges recognized during the period reported.

Operating Plans

As in the past, the Company's key strategies are focused towards growing the existing market base, maintaining a sound financial position, and improving manufacturing efficiencies to enhance competitive standing particularly of the plant in Davao.

Financial Condition

Consolidated current assets as at September 30, 2013 totaled Peso 757,355 million while current liabilities as at the same date totaled Peso 456,427 million. The increase in current assets as at current 3rd quarter-end as compared with the year-end balance of 717,881 was significantly attributed to higher revenues brought about by improved sales volume and collection. Consequential to this, cash and short term investments also increased by 104% compared with the year-end balance. Inventory level of paper, a major raw material slightly decreased compared to the same period last year. Accounts payable balances recorded an increase as at September 30, 2013 totaled Php 21,453 million compared to year end balance. With respect to long-term borrowings, there is no change between the balances during the current quarter as compared with those of year-end 2012. Working capital ratio as at September 30, 2013 is 1.7. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

There are no significant capital expenditures during the period. Neither is there any significant capital spending anticipated in the immediate future.

There are no events that will trigger direct or contingent financial obligation that is material to the company and there are no off-balance sheet transactions or arrangements with any unconsolidated entity or other person during the period being reported. The Company adopts strict controls in managing working capital requirements including the implementation of programs to further improve collection turnover and optimize inventory levels. In view of the foregoing, consolidated total assets as at current quarter-end amounted to Peso 892,796 million as compared to Peso 839,481 million as at December 31, 2012.

Financial Risk Management

The Company's financial assets and liabilities, comprising mainly of cash in banks, receivables, other non-current receivables, trade payables and borrowings and amounts due from/to related parties are exposed to a variety of financial risks, which include currency risk, credit risk, liquidity/funding risk and cash flow interest rate risk. The Company's management ensures that it has sound policies and strategies made to minimize potential adverse effects of those risks on its financial performance. Risk management is carried out through the policies approved by Board of Directors of the Company.

The foreign exchange risk of the Company arising from cash, trade receivables and payables is not significant. The net exposure is kept to an acceptable level by buying foreign currencies at spot rates when necessary to address short-term needs.

The Company is not significantly exposed to price risk on equity securities and proprietary club shares classified in the consolidated balance sheet as other assets. Furthermore, there are no foreign securities owned and held by the Company.

The fluctuation of future cash flows risk relates to the fluctuations of a financial instrument as a result of changes in the market interest rates with possible additional penalty charges. Since the declaration of default by the Company's lending banks in 2005, the interest rates applied are fixed. As the borrowings are carried at amortized cost with fixed interest rate, the Company is not exposed to either cash flow or fair value interest rate risk. The Company has no significant interest-bearing assets, which are dependent on market interest rate that would affect the Group's income and operating cash flows.

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks, receivables and deposits with third parties. Cash transactions are limited to high-credit-quality financial institutions and are maintained with universal and commercial banks.

Liquidity risk relate to the failure of the Company or another party to discharge its obligations/commitments arising from receivables, payables and borrowings. Cash balances are considered low. The tight cash position limits its obligation to take advantage of increasing demands. Establishing new sources of trade credit and working capital facility will change this problem. The Company's financial liabilities, which include borrowings, trade payables and other current liabilities are due within 12 months.

The Company's objectives when managing capital are to safeguard the its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

PFRS 9, Financial Instruments

PFRS 9, Financial Instruments is a new standard, which becomes effective January 1, 2013, and is the first step in the process to replace PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities and is likely to affect the Group's accounting for its financial assets and financial liabilities. Given that the Company does not have complex financial instruments, this standard is not expected to have material impact on the financial statements. However, it may impact the classification of the Group's financial instruments. Based on the foregoing, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 annual financial reporting based on the impact evaluation made using the year-end 2011 balances.

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Steniel Manufacturing Corporation and Subsidiaries
Trade and Other Receivables
As at September 30, 2013

	Amount *(In 000 Php)*
Trade Receivables:	
1 to 60 days	44,057
61 to 120 days	4,505
Over 120 days	48,856
	97,418
Allowance provision	(45,840)
Net	51,578
Other Receivables:	
Creditable Withholding Taxes	113,110
Excess Input Tax	110,413
Other Receivables	70,436
	293,959
Allowance provision	(11,602)
Net	282,357
Total, net	333,935