ANNEX " B "

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
(With Comparative Figures for 2012)

COVER SHEET

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 Company / Town / Province)

Eliza C. Macuray

Contact Person

Company Telephone Number

12 31
Month *Day*

AAFS
FORM TYPE

Month *Day*
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.

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Barrio Javalera, Gen. Trias, Cavite

We have audited the accompanying consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in capital deficiency and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

KPMG

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements. The Group has temporarily ceased its operations and has deficit of P1,658,447 and P1,584,158 as at December 31, 2013 and 2012, respectively. The deficit further increased when the operating subsidiary of the Group was sold in 2013. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence. The validity of this assumption is dependent upon the Group's ability to meet its financing requirements on a continuing basis and the success of its future operations in line with the provisions of the restructuring plan as discussed in Note 1. We conducted sufficient audit procedures to verify the validity of the aforementioned plan. The accompanying consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Other Matter

The consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries for the years ended December 31, 2012 and 2011 (not presented herein) were audited by another auditor who expressed an unmodified opinion on those statements on October 22, 2013. As part of our audit of the 2013 consolidated financial statements, we also audited the adjustments described in Note 3 that were applied to the 2012 consolidated financial statements and the consolidated statement of financial position as at December 31, 2011 to come up with the consolidated statement of financial position as at January 1, 2012 presented herein as corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 and 2011 consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2012 and 2011 consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-3, Group A, valid until January 4, 2015
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-6-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225138MC
Issued January 2, 2014 at Makati City

April 9, 2014
Makati City, Metro Manila

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, 2013 and 2012**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated 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 the stockholders.

R.G. Manabat & Co. and Isla Lipana & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2013 and 2012, respectively, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the (stockholders or members), have expressed their opinion on the fairness of presentation upon completion of such examination.

Nixon Y. Lim
Chairman of the Board

Delma P. Bermundo
President/CEO

Eliza C. Macuray
Chief Financial Officer

Signed this 9th day of April 2014

SUBCRIBED AND SWORN to before me this April 9, 2014 at Quezon City, affiants exhibiting to me the following:

Name	Valid Identification
Nixon Y. Lim	TIN 177-748-507
Delma P. Bermundo	TIN 116-179-192
Eliza C. Macuray	TIN 100-377-040

Doc. No. 285;
Page No. 57;
Book No. VIII;
Series of 2014

Tomas F. Dulay Jr.
ATTY. TOMAS F. DULAY JR.
NOTARY PUBLIC
UNTIL DECEMBER 31 2015
ADM. MATTER NO. [illegible]/2014-2015
PTR NO. [illegible] / [illegible]-14 / Q.C.
IBP NO. 915073 / C.Y. 2014 / Q.C.
ROLL NO. 16583 / 03-13-1961
NO. 92 LEGASPI ST. PROJ. 4 Q.C.
MCLE EXEMPTED NO. 000838

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(With Comparative Figures for 2012)

(Amounts in Thousands)

		December 31		January 1
	Note	**2013**	2012 As restated (Note 3)	2012 As restated (Note 3)
ASSETS				
Current Assets				
Cash	*5*	**P1,604**	P17,117	P7,049
Receivables - net	*6, 15*	**183,032**	186,483	99,650
Inventories	*7, 17*	**-**	172,401	249,394
Prepaid expenses and other current assets	*8*	**117,622**	125,204	139,067
		302,258	501,205	495,160
Assets held-for-sale	*9*	**271,874**	216,677	230,630
Total Current Assets		**574,132**	717,882	725,790
Noncurrent Assets				
Property and equipment - net	*10*	**17,845**	48,971	38,418
Available-for-sale financial assets	*11*	**10,861**	961	961
Other noncurrent assets		**20**	70,942	92,244
Total Noncurrent Assets		**28,726**	120,874	131,623
		P602,858	P838,756	P857,413
LIABILITIES AND CAPITAL DEFICIENCY				
Current Liabilities				
Trade payables and other current liabilities	*12*	**P277,597**	P434,473	P463,102
Payable to government agencies		**775**	502	497
Total Current Liabilities		**278,372**	434,975	463,599
Noncurrent Liabilities				
Long-term borrowings	*13*	**568,301**	568,301	568,419
Retirement benefits liability	*3, 14*	**-**	3,314	2,662
Total Noncurrent Liabilities		**568,301**	571,615	571,081
Total Liabilities		**846,673**	1,006,590	1,034,680
Capital Deficiency				
Capital stock		**1,000,000**	1,000,000	1,000,000
Additional paid-in capital		**414,632**	414,632	414,632
Reserve for retirement benefits liability		**-**	1,692	2,436
Deficit		**(1,658,447)**	(1,584,158)	(1,594,335)
Total Capital Deficiency		**(243,815)**	(167,834)	(177,267)
		P602,858	P838,756	P857,413

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

(With Comparative Figures for 2012 and 2011)

(Amounts in Thousands)

		December 31		
	Note	**2013**	2012 As restated (Note 3)	2011 As restated (Note 3)
REVENUES				
Product sales		**P710,658**	P531,591	P569,935
Service income	*16*	**15,649**	48,858	41,348
TOTAL REVENUES		**726,307**	580,449	611,283
COST OF SALES AND SERVICES	*17*	**(664,986)**	(546,683)	(598,280)
GROSS PROFIT		**61,321**	33,766	13,003
OPERATING EXPENSES	*18*	**(43,004)**	(37,814)	(36,690)
OTHER EXPENSES - Net	*19*	**(84,340)**	10,294	311,929
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAX		**(66,023)**	6,246	288,242
INCOME TAX EXPENSE (BENEFIT)	*20*	**10,147**	(3,931)	273
NET INCOME (LOSS)		**(P76,170)**	P10,177	P287,969
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will never be reclassified to profit or loss				
Remeasurement of defined benefit obligation		**270**	(1,064)	3,480
Income tax benefit (expense)		**(81)**	320	(1,044)
	3	**189**	(744)	2,436
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P75,981)**	P9,433	P290,405
Basic and Diluted Earnings (Loss) Per Common Share	*21*	**(P0.0762)**	P0.0101	P0.02880

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Figures for 2012 and 2011)

(Amounts in Thousands, except par value)

	Capital Stock P1 par value Authorized and Issued - 1,000,000,000 Shares	Additional Paid-in Capital	Reserve for Retirement Benefits Liability	Deficit	Total Equity
As at January 1, 2013, as restated	**P1,000,000**	**P414,632**	**P1,692**	**(P1,584,158)**	**(P167,834)**
Net loss for the year	-	-	-	(76,170)	(76,170)
Remeasurements of defined benefit obligation	-	-	189	-	189
Total comprehensive income (loss) for the year	-	-	189	(76,170)	(75,981)
Transactions with the owners of the Group					
Disposal of a subsidiary	-	-	(1,881)	1,881	-
As at December 31, 2013	**P1,000,000**	**P414,632**	**P -**	**(P1,658,447)**	**(P243,815)**
As at January 1, 2012, as previously reported	P1,000,000	P414,632	P -	(P1,594,335)	(P179,703)
Adjustment due to Philippine Accounting Standard (PAS) 19	-	-	2,436	-	2,436
As at January 1, 2012, as restated	1,000,000	414,632	2,436	(1,594,335)	(177,267)
Net income for the year	-	-	-	10,177	10,177
Remeasurements of defined benefit obligation	-	-	(744)	-	(744)
Total comprehensive income (loss) for the year	-	-	(744)	10,177	9,433
As at December 31, 2012, as restated	P1,000,000	P414,632	P1,692	(P1,584,158)	(P167,834)

Forward

	Capital Stock P1 par value Authorized and Issued - 1,000,000,000 Shares	Additional Paid-in Capital	Reserve for Retirement Benefits Liability	Deficit	Total Equity
As at January 1, 2011	P1,000,000	P414,632	P -	(P1,882,304)	(P467,672)
Net income for the year	-	-	-	287,969	287,969
Remeasurements of defined benefit obligation	-	-	2,436	-	2,436
Total comprehensive income (loss) for the year	-	-	2,436	287,969	290,405
As at December 31, 2011, as restated	P1,000,000	P414,632	P2,436	(P1,594,335)	(P177,267)

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Figures for 2012 and 2011)
(Amounts in Thousands)

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P66,023)**	P6,246	P288,242
Adjustments for:				
Loss on disposal of a subsidiary	*19*	**135,107**	-	-
Depreciation	*17, 18*	**13,439**	8,760	10,835
Provision for impairment (reversal of) losses on receivables	*6*	**1,283**	2,619	(863)
Retirement benefit expense		**514**	68	458
Gain on condonation of third party payables/borrowings		-	-	(307,686)
Write-off of accruals	*19*	**(32,553)**	(3,320)	(1,401)
Reversal of long-outstanding trade payables		-	(2,307)	-
Interest income		-	(31)	(24)
Provision for (reversal of) inventory write-down		-	675	-
Gain on sale of property and equipment and investment		-	(33)	-
Write-off prepaid taxes and asset-held-for-sale		-	13,980	-
Operating income (loss) before working capital changes		**51,767**	26,657	(10,439)
Decrease (increase) in:				
Receivables		**22,168**	(82,264)	7,430
Prepaid expenses and other current assets		**8,302**	29,347	3,894
Inventories		-	76,318	(186,706)
Increase (decrease) in trade payable and other current liabilities		**(112,055)**	(31,807)	194,320
Cash generated from (absorbed by) operations		**(29,818)**	18,251	8,499
Interest received		-	31	24
Pension benefits paid		-	(480)	-
Net cash provided by (used in) operating activities		**(29,818)**	17,802	8,523

Forward

	Note	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
CASH FLOWS FROM INVESTNG ACTIVITIES				
Proceeds from sale of a subsidiary		**P20,000**	P -	P -
Acquisition of available-for-sale assets		**(9,900)**	-	-
Additions to property and equipment	*10*	**(11,526)**	(10,503)	(15,474)
Proceeds from sale of property and equipment		**-**	33	-
Increase in assets held-for-sale		**(55,197)**	-	-
Decrease in other noncurrent receivables		**70,928**	2,736	-
Net cash provided by (used in) investing activities		**14,305**	(7,734)	(15,474)
NET INCREASE (DECREASE) IN CASH		**(15,513)**	10,068	(6,951)
CASH AT BEGINNING OF YEAR		**17,117**	7,049	14,000
CASH AT END OF YEAR	*5*	**P1,604**	P17,117	P7,049

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Steniel Manufacturing Corporation (STN 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 hold 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, 2013, 2012 and 2011, the Company has 3,528 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 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 and the registered owner of 82.2716% of the shares of the Company 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 (Note 13). As a result, Roxburgh Investment Limited now owns 12.3818% of the Company, while the ownership of SNHBV as well as that of the public have been reduced to 72.0849% and 15.5333%, respectively.

On January 18, 2012, the majority 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 P334.9 million. 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.

Group Structure
The consolidated financial statements include the financial statements of the Company and the following subsidiaries incorporated in the Philippines.

	Percent of Ownership	
	2013	2012
Steniel Cavite Packaging Corporation (SCPC)	**100**	100
Treasure Packaging Corporation (TPC)	**100**	100
Steniel Mindanao Packaging Corporation (SMPC)	-	100

SCPC
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 (BOD) 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 October 2011, following the provisions of the Amended Omnibus Agreement between STN with its major creditors/lenders, SCPC submitted a merger application with SEC to absorb three (3) dormant subsidiaries namely Metroplas Packaging Products Corporation (MPPC), Metro Paper and Packaging Products, Inc. (MPPPI) and Steniel Carton System Corporation (SCSC), using June 30, 2011 financial statements, with the Company as the surviving entity. Prior to the merger with SCPC, MPPC, MPPI and SCSC are 100% owned by STN. This transaction was approved by the respective Companies' Board of Directors and Shareholders in October 2011.

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. The effects of the Company's equity in the absorbed corporations, and intercompany receivables and payables were eliminated resulting in the combined results of operations.

The combined results of operations for the year ended December 31, 2011, which support the accompanying statements of total comprehensive income for the year ended December 31, 2011, include the results of operations of the absorbed corporations and of the Company for the year ended December 31, 2011 as if the entities had always been combined.

TPC
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.

SMPC
On December 27, 2013, the Board of Directors (BOD) of STN approved the sale of its 100% ownership or 9,249,995 common shares in the SMPC to the following entities and individuals:

Buyer	Number of Shares	Percentage of Ownership
Greenkraft Corporation	3,083,947	33.34%
Corbox Corporation	2,774,999	30.00%
Goldenbales Corporation	2,774,999	30.00%
Clement Chua	308,025	3.33%
Rex Chua	308,025	3.33%

The transfer of ownership shall be reflected in the stock and transfer books of SMPC upon issuance of the relevant Certificates Authorizing Registration by the Bureau of Internal Revenue.

The Company also had a 39.71% interest in Steniel Land Corporation (SLC). In 2010, all of the ownership interest of TPC and STN were assigned to Greenkraft Corporation, a company incorporated in the Philippines (Note 9). The remaining interest of SCPC in SLC is 22.61% as at December 31, 2013 and 2012.

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 P294.6 million and P13.1 million for the reversal of accrued interest in 2010 in relation to the 2-year grace period provided by its creditors.

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

Status of Operations
The Group has temporarily ceased its operations and has deficit of P1,658,447 and P1,584,158 as at December 31, 2013 and 2012, respectively. The deficit further increased when the operating subsidiary of the Group was sold in 2013. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence.

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 25, 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).

After the assignment and sale of loans from the lending banks to third parties, discussions were made with new creditors/lenders to restructure the outstanding loans covered by the Omnibus Agreement which the Company has defaulted in 2006. 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 was 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 Steniel Land Corporation (SLC), (b) identified idle assets of STN and its subsidiaries, and (c) by way of conversion into equity though 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 the Company; and
- Other conditions include:

  a. Lenders representative to be elected as director in STN 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. Creditor's 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 TPC'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.

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.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements as at and for the year ended December 31, 2013 were approved and authorized for issuance by the Board of Directors on April 9, 2014.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the available-for-sale financial assets which are measured at fair value.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All financial information are rounded off to the nearest thousand peso, except when otherwise indicated.

Basis of Consolidation
The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries.

A subsidiary is an entity controlled by the Company. The Company controls an entity if, and only if, the Company is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The consolidated financial statements are prepared for the same reporting period as the Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following new and revised standards, amendments to standards and interpretations starting January 1, 2013 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new and revised standards, amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).* The amendments:

  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
  - changed the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

  An investor controls an investee when:

  - it is exposed or has rights to variable returns from its involvement with that investee;
  - it has the ability to affect those returns through its power over that investee; and
  - there is a link between power and returns.

  Control is re-assessed as facts and circumstances change.

  PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12, *Consolidation - Special Purpose Entities.*

- PFRS 12, *Disclosure of Interests in Other Entities*

  PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows.

- PAS 28, *Investments in Associates and Joint Ventures* (2011)

  PAS 28 (2011) supersedes PAS 28 (2008), *Investments in Associates.* PAS 28 (2011) makes the following amendments:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
  - on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa,* the entity does not remeasure the retained interest.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- PAS 19, *Employee Benefits* (Amended 2011)

  The amended PAS 19 includes the following requirements:

  - actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss; and
  - interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

  The Group has applied the relevant transitional provisions of the amended standard on a retrospective basis and provided more extensive disclosures. The nature and effects of the changes are explained below:

  <u>*Changes in Accounting Policy*</u>
  As a result of the adoption of PAS 19 (Amended 2011), the Group has changed its accounting policy with respect to the elimination of the "corridor method" under which the recognition of actuarial gains and losses could be deferred. Instead, all actuarial gains and losses are recognized immediately in other comprehensive income.

  <u>*Summary of Quantitative Impacts*</u>
  The following table summarizes the impacts of the above changes on the Group's financial position and comprehensive income:

	December 31, 2012			January 1, 2012		
	As Previously Reported	Restatement	As Restated	As Previously Reported	Restatement	As Restated
Consolidated Statements of Financial Position						
Retirement benefits liability	P5,152	(P1,838)	P3,314	P6,143	(P3,481)	P2,662
Other noncurrent assets	71,667	725	70,942	93,289	1,045	(92,244)
Reserve for retirement benefit liability	-	1,692	1,692	-	2,436	2,436
Deficit	(1,583,579)	(579)	(1,584,158)	(1,594,335)	-	(1,594,335)

	December 31, 2012			January 1, 2012		
	As Previously Reported	Restatement	As Restated	As Previously Reported	Restatement	As Restated
Consolidated Statements of Comprehensive Income						
Operating expense	37,235	579	37,814	36,690	-	36,690
Remeasurement actuarial losses (gains)	-	(1,064)	(1,064)	-	3,480	3,480
Income tax on defined benefit plan actuarial losses directly recognized in equity	-	320	320	-	(1,044)	(1,044)
Earnings per share	0.0108	(0.0007)	0.0101	(0.02880)	-	(0.02880)

The impact of the changes as at and for the year ended December 31, 2013 is as follows:

	Increase (Decrease)
Consolidated Statements of Financial Position	
Other noncurrent assets	P806
Retirement benefits liability	(1,594)
Reserve for retirement benefits liability	1,881
Deficit	(1,093)

	Increase (Decrease)
Consolidated Statements of Comprehensive Income	
Operating expenses	P514
Income tax expense	-
Increase in net income	514
Remeasurements of retirement benefits liability	270
Income tax on items that will never be reclassified to profit or loss	(81)
Increase in OCI - net of tax	189
Overall impact on total comprehensive income	P703

The Group has derecognized the retirement benefits liability for 2013 after the subsidiary carrying the retirement benefits liability was sold in 2013.

- *Annual Improvements to PFRS 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The following are the said improvements or amendments to PFRS which are applicable and relevant to the Group, none of which has a significant effect on the consolidated financial statements of the Group:

  - PAS 1, *Presentation of Financial Statements - Comparative Information beyond Minimum Requirements*. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of consolidated financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRS.

For example, if an entity elects to present a third consolidated statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRS. However, the entity need not present:

- o other primary statements for that additional comparative period, such as a third statement of cash flows; or
- o the notes related to these other primary statements.

- PAS 1, *Presentation of the Opening Statement of Financial Position and Related Notes*. This is amended to clarify that:

  - o the opening statement of financial position is required only if:
    - a change in accounting policy;
    - a retrospective restatement; or
    - a reclassification has a material effect upon the information in that consolidated statement of financial position;
  - o except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and
  - o the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

  The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of consolidated financial statements are different, because the underlying objectives are different.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - o not contingent on a future event; and
    - o enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - o eliminate or result in insignificant credit and liquidity risk; and
    - o process receivables and payables in a single settlement process or cycle.

  These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

- Recoverable Amount Disclosures for Non-financial Assets *(Amendments to PAS 36, Impairment of Assets).* These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

- Philippine Interpretation IFRIC 21, *Levies*. This interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes,* fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope.

  Philippine Interpretation IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The interpretation is applied retrospectively. Earlier application is permitted.

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013)

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

  PFRS 9 (2013) introduces the following amendments:

  - A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; Changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
  - Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of the financial statements to make the transition to the new requirements.

  The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

Financial Assets and Financial Liabilities
Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price, without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.
For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained as follows:

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

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

The Group has no HTM investments and financial assets and financial liabilities at FVPL as at December 31, 2013 and 2012.

Non-derivative Financial Assets

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" account in the consolidated statement of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statement of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Group's cash and receivables are included under this category (Notes 5 and 6).

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Unrealized gain on available-for-sale financial assets" in equity. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

Cash

Cash on hand and deposits held at call with banks are carried in the consolidated statement of financial position at face amount or at nominal amount.

Receivables

Receivables arising from regular sales with average credit term of 30 to 60 days are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Fair value approximates invoice amount due to short-term nature of the financial assets.

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 receivables are impaired. 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 statement of total comprehensive income within operating expense. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables.

Financial Liabilities

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's trade payables and other current liabilities and long-term borrowings are included under this category (Notes 12 and 13).

Derecognition of Financial Assets and Financial Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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

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

Impairment of Financial Assets
The Group assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

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

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 comprise raw materials, direct labor and other direct costs and related production overheads (based on normal operating capacity). 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.

Inventories are derecognized either when sold or written-off. Provision for inventory losses is set up, when necessary, based on a review of the movement and current condition of each inventory item. Provision for inventory losses is provided, 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 if inventories recognized as an expense in the period in which the reversal occurs.

Property and Equipment

Property and equipment are recorded at historical cost less accumulated depreciation, amortization and impairment losses. The initial cost of property and equipment consists of its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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 profit or loss during the 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 and amortization, which commences when the assets are available for its intended use, are calculated using the straight-line method over its estimated useful life as follows:

	Number of Years
Machinery and equipment	3 - 10
Transportation and office equipment	3 - 5
Furniture, fixtures and equipment	3 - 5

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

The asset's 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.

The carrying amount of an item of property 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 the proceeds with the carrying amount and are included in other operating income/expenses account in the profit or loss.

<u>Assets Held-for-Sale</u>
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. When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the cots to sell that arises from the passage of time shall be presented as part of the operating expenses in the consolidated statement of comprehensive income.

An impairments 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.

Once classified as held-for-sale, property, plant and equipment are no longer amortized or depreciated and any equity-accounted investee is no longer equity accounted.

When changes to the plan of sale are made the Group ceases to classify the asset as held-for-sale, the Group remeasures the asset 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 measurement of a non-current asset classified as held-for-sale is presented under the operating income (expense) in the consolidated statement of comprehensive income.

An item of asset held-for-sale is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of asset held-for-sale (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

<u>Impairment of Non-financial Assets</u>
The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Capital Stock

Capital stock is classified as equity. Additional paid in capital is recognized for the excess of proceeds of subscriptions over the par value of the shares issued.

Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Retained Earnings (Deficit)

Retained earnings (deficit) include all current and prior period results as reported in profit or loss net of dividend payments to stockholders.

Revenue and Expense Recognition

Revenues

Revenue comprises the invoiced value on the sale of goods, net of value-added taxes, returns and discounts, if any.

The Group recognizes the 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.

Sale of Goods.

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

Sale 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.

Interest and Other Income

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

Cost and Expenses
Costs and expenses are recognized when they occur and are reported in the consolidated financial statements in the periods to which they relate. Interest expense on the borrowings is calculated using effective interest method by applying effective interest rate.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Company by the weighted-average number of issued and outstanding common shares during the period.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all potential dilutive instruments

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Benefits Plan
The Group's net obligation in respect of the defined benefits plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Remeasurements of the net defined retirement obligation or asset, excluding net interest, are recognized immediately in other comprehensive income. Net defined retirement benefit obligation or asset comprise actuarial gains and losses, the return on plan assets, excluding interest, and the effect of the asset ceiling, if any. The Group determines the net interest expense or income on the net defined retirement obligation or asset for the period by applying the discount rate used to measure the defined benefit retirement obligation at the beginning of the annual period to the then-net defined retirement obligation or asset, taking into account any changes in the net defined benefit retirement obligation or asset during the period as a result of contributions and benefit payments.
Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

Foreign Currency Transactions and Translation

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 statement of comprehensive income under other expenses/income.

Income Taxes

Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

<u>Provisions</u>
Provisions are recognized only when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are revisited at each reporting date and adjusted to reflect current best estimate.

<u>Related Party Transactions</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

<u>Operating Segment</u>
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 product 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 environment (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 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 expense directly associated with each segment are included in determining business segment performance.

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

<u>Events After the Reporting Date</u>
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized 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.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Allowance for Impairment Losses on Receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the related party, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

The carrying amount of receivables amounted to P183,032 and P186,483 as at December 31, 2013 and 2012, respectively (Note 6).

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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

The carrying amount of the Group's property and equipment as at December 31, 2013 and 2012 amounted to P17,845 and P48,971, respectively (Note 10).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 14 to the financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It 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 retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

As at December 31, 2012, retirement liability amounted to P3,314 (Note 14).

Impairment of Non-financial Assets
PFRS requires that an impairment review be performed on prepaid expenses and other current assets, assets held-for-sale, property and equipment and available-for-sale financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Based on the assessment of the Group, certain non-financial assets are to be provided with allowance for impairment. Combined allowance for impairment for non-financial assets amounted to P222,472 million as at December 31, 2013 and 2012.

As at December 31, 2013 and 2012, the combined carrying amounts of prepaid expenses and other current assets, assets held-for-sale, property and equipment and available-for-sale financial assets amounted to P418,202 and P391,813 million as at December 31, 2013 and 2012, respectively.

5. Cash

The Group's cash in bank earned interest income amounting to P0.04 and P0.03 in 2013 and 2012, respectively (Note 19).

6. Receivables

This account consists of:

	Note	2013	2012
Trade receivables			
Third parties		P71,282	P63,030
Related parties	*15*	75,093	95,471
Other receivables		85,383	74,975
		231,758	233,476
Less: allowance for impairment losses		(48,726)	(46,993)
		P183,032	P186,483

Other receivables pertain to receivable from scrap sales transactions and reimbursements of costs incurred in behalf of trade customers.

Changes in allowance for impairment losses as at December 31 are as follows:

	Note	2013	2012
Balance at beginning of year		P46,993	P44,745
Provisions	*18*	1,283	2,619
Foreign exchange effect on translation		-	(371)
Balance at end of year		P48,726	P46,993

7. Inventories

This account consists of:

	Note	2012
At cost:		
Work-in-process	*17*	P4,536
Raw materials	*17*	128,312
Materials and supplies		28,865
		161,713
At net realizable value:		
Finished goods - net of provision of P675	*17*	10,688
		P172,401

The above inventories were pledged as collateral to the Group's borrowings in 2012.

Based on the management's assessment of its inventory condition and net realizable value, a provision for inventory obsolescence was recognized in 2012 amounting to P675 (Note 17).

As at December 31, 2013, the Group has no inventory since SMPC was already sold.

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Creditable withholding tax	P81,611	P88,098
Input VAT	35,097	35,005
Other prepayments	914	2,101
	P117,622	P125,204

9. Assets Held-for-Sale

As at December 31, 2013 and 2012, the Group has remaining assets and shares of stocks in an associate classified as assets held-for-sale which are subject to disposal under the provisions of the Amended Agreement in 2010 as discussed in Note 1. The assets and shares with details below are measured at carrying amount which is lower than fair value less cost to sell.

	Investment in Associate	Land and land Improvements	Building and Building Improvements	Total
Cost of Assets				
January 1, 2010	P417,779	P941	P117,592	P536,312
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
Additions	55,197	-	-	55,197
December 31, 2013	176,046	941	94,887	271,874
Net Book Values				
December 31, 2012	P120,849	P941	P94,887	P216,677
December 31, 2013	**P176,046**	**P941**	**P94,887**	**P271,874**

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 P134,802 which resulted in recognition of impairment loss.

During 2012, the preferred shares of SLC held by SCPC, TPC and STN 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 statement 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.

In 2013, additional assets of the Company was transferred from property and equipment to assets held-for-sale amounting to P55,197.

Delay in the disposal of the assets was due to regulatory and statutory requirements being requested from the Group.

10. Property and Equipment

This account consists of:

	Machinery and Equipment	Transportation and Office Equipment	Leasehold and Land Improvements	Total
Cost				
January 1, 2012	P219,445	P19,412	P30,032	P268,889
Additions	9,648	746	8,919	19,313
Disposals	-	(450)	-	(450)
December 31, 2012	229,093	19,708	38,951	287,752
Additions	11,526	-	-	11,526
Transfers	(55,197)	-	-	(55,197)
Disposals	(165,132)	(19,708)	(38,951)	(223,791)
December 31, 2013	**20,290**	-	-	**20,290**
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
Depreciation	1,926	-	-	1,926
Disposals	(193,898)	(16,808)	(27,556)	(238,262)
December 31, 2013	**2,445**	-	-	**2,445**
Net Book Values				
December 31, 2012	P34,676	P2,900	P11,395	P48,971
December 31, 2013	**P17,845**	**P -**	**P -**	**P17,845**

For statement of cash flows purposes, P10,503 of the total additions amounting to P19,313 have been paid.

In 2012, certain property and equipment of SMPC were used to secure the restructuring plan under the Collateral Trust Agreement.

11. 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.

These investments were measured at fair value based on quoted prices as at December 31, 2013 and 2012.

12. Trade Payables and Other Current Liabilities

This account consists of:

	Note	**2013**	2012
Trade payables		**P76,678**	P321,671
Amounts owed to related parties		**177,503**	62,081
Payable to an associate		**19,892**	19,982
Accrued expenses		**1,560**	24,579
Advances from customers		**-**	5,964
Other payables		**1,964**	196
	22	**P277,597**	P434,473

Accrued expenses include accrued taxes and other payables. Accrued taxes pertain to accrued charges from Bureau of Customs for raw materials imported, payable to other tolling customers and suppliers for paper purchases. Other payables consist mainly of advances from suppliers as payment for the long-outstanding real property taxes of SCPC and for working capital of SMPC.

13. Long-Term Borrowings

This account consists of:

	2013	2012
Greenkraft Corporation	**P380,578**	P380,578
Roxburgh Investment Limited	**187,723**	187,723
	P568,301	P568,301

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 relationship during the year (Note 1).

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 Amended 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 1 which is due after completion of *dacion en pago* or sale of properties that is expected to complete until first quarter of 2004. Upon approval of the Amended Agreement, the above creditors are aware of the Company's non-compliance with covenant due to the Company's financial condition and such will not be a ground for default on 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 P294.6 million. In addition, the accrued interest in 2010 amounting to P131,067 was also reversed in 2011 in relation to the 2-year grace period provided by its creditors.

14. Retirement Benefits

The Group maintains an unfunded, non-contributory, defined benefit pension plan covering substantially all of its regular employees. Under the provisions of the Plan, the normal retirement age is 60, employees, upon reaching retirement age with at least 5 years of service, can avail of early retirement. Employees covered have a vested right to a certain percentage of retirement benefits after completion of at least 5 years of service.

The amounts of net retirement liability recognized in the consolidated statements of financial position are determined as follows:

	2013	2012*
Present value of defined benefit obligations	**P2,641**	P3,314

The movements in the present value of defined benefit obligations are as follows:

	2013	2012*
Balance at beginning of year	**P3,314**	P2,662
Current service cost	**335**	348
Interest expense	**179**	116
Benefits paid	**(917)**	(479)
Settlement gain	**-**	(396)
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**551**	(60)
Changes in demographic assumptions	**(63)**	-
Experience adjustments	**(758)**	1,123
Balance at end of year	**P2,641**	P3,314

**As restated (Note 3).*

The components of retirement benefits expense are included in "Salaries, wages and benefits" account under "Operating expenses" in profit or loss are as follows:

	2013	2012*
Current service cost	P335	P348
Interest expense	179	116
Settlement gain	-	(396)
Retirement benefits expense	P514	P68

**As restated (Note 3).*

The components of remeasurement actuarial losses (gains) recognized in other comprehensive income are as follows:

	2013	2012*
Actuarial losses (gains) arising from:		
Changes in financial assumptions	P551	(P60)
Changes in demographic assumptions	(63)	-
Experience adjustments	(758)	1,123
Remeasurement actuarial losses (gains)	(P270)	P1,063

**As restated (Note 3).*

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

	2013	2012*
Balance at beginning of year	P3,314	P2,662
Retirement benefits expense in profit or loss	514	464
Remeasurement actuarial losses (gains) in other comprehensive income	(270)	1,063
Benefits paid	(917)	(479)
Settlement gain	-	(396)
Balance at end of year	P2,641	P3,314

**As restated (Note 3).*

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2013	2012
Discount rates	5,40%	4.88%
Expected rate of salary increases	3.00%	4.00%

Assumptions for mortality and disability rate are based on 1983 GAM Basic Table and 1952 Disability Study, Period 2, Benefit 5, respectively.

As at December 31, 2013, the reasonably possible changes to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts below.

	Defined Benefit Retirement Obligation	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P410,455)	P410,374
Salary increase rate	409,858	(409,927)

As at December 31, 2013 and 2012, the weighted average duration of defined benefit obligation is 37.28 years and 32.93 years, respectively.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The Group has derecognized the retirement benefits liability for 2013 after the subsidiary carrying the retirement benefits liability was sold in 2013.

15. Related Party Transaction

The Group, in the normal course of business, has transactions with related parties. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

Transactions with related parties are as follows:

Relationship	Year	Sales	Purchases	Advances
Entities under	**2013**	**P -**	**P -**	**P100,965**
Common Management	**2012**	**-**	**-**	**30,087**

As at December 31, 2013, 2012 and 2011, outstanding balances arising from related party transactions are as follows:

Relationship	Year	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Entities under Common Management	**2013** 2012	**P75,093** P95,471	**P177,503** 62,081	**Payable/collectible on demand; non-interest bearing**	**Unsecured; no impairment**
Investment in an Associate	**2013** 2012	**-** -	**19,892** 19,892	**Payable on demand; non-interest bearing**	**Unsecured**
	2013	**P75,093**	**P197,395**		
	2012	P95,471	P81,973		

16. Significant Agreements

Tolling Agreements

The Group has tolling agreements with certain customers wherein these customers will provide the paper rolls for the Group 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 Group will receive tolling fees. For 2013 and 2012, tolling services are made on a per purchase order basis and reported as service income.

17. Cost of Sales and Services

This account consists of:

	Note	**2013**	2012	2011
Cost of Sales				
Raw materials, January 1		**P128,312**	P208,551	P25,041
Add: Purchases		**565,380**	376,676	694,079
Total raw materials		**693,692**	585,227	719,120
Less: Raw materials, December 31	7	**(105,962)**	(128,312)	(208,551)
Raw materials used		**587,730**	456,915	510,569
Direct labor		**19,677**	12,315	14,503
Factory overhead		**44,883**	17,471	21,093
Total manufacturing cost		**652,290**	486,701	546,165
Add: Work-in-process, January 1		**4,536**	5,313	5,226
Total goods available for manufacturing		**656,826**	492,014	551,391
Less: Work-in-process, December 31	7	**(8,104)**	(4,536)	(5,313)
Total goods manufactured		**648,722**	487,478	546,078
Add: Finished goods, January 1		**11,363**	8,604	9,204
Total goods available for sale		**660,085**	496,082	555,282
Less: Finished goods, December 31	7	**(12,977)**	(11,363)	(8,604)
		647,108	484,719	546,678
Provision for inventory obsolescence	7	**(5,154)**	675	-
		P641,954	P485,394	P546,678

	Note	2013	2012	2011
Cost of Services				
Material used		**P8,794**	P22,963	P16,868
Salaries, wages and benefits	*14*	**4,319**	10,921	9,993
Rent, utilities and office expenses		**4,437**	10,086	7,776
Depreciation	*10*	**2,072**	6,538	6,431
Supplies		**1,623**	4,096	3,464
Warehousing cost		**-**	2,163	1,497
Repairs and maintenance		**995**	1,916	1,999
Outside services		**526**	1,432	1,053
Insurance, taxes and licenses		**238**	575	496
Others		**28**	599	338
		23,032	61,289	49,915
Direct cost of investment properties:				
Depreciation		**-**	-	-
Insurance, taxes and licenses		**-**	-	1,687
		-	-	1,687
		P664,986	P546,683	P598,280

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

	Note	2013	2012	2011
Utilities		**P9,678**	P5,161	P5,243
Rent and office expenses		**9,609**	812	1,536
Depreciation	*10*	**9,136**	1,782	3,647
Manufacturing supplies		**7,396**	4,619	5,027
Repairs and maintenance		**4,533**	2,160	2,901
Outside services		**2,398**	1,614	1,527
Insurance, taxes and licenses		**1,084**	648	721
Power, fuel and oil		**923**	329	373
others		**126**	346	118
		P44,883	P17,471	P21,093

18. Operating Expenses

This account consists of:

	Note	2013	2012	2011
Salaries, wages and employee benefits		**P10,783**	P5,594	P5,705
Delivery		**7,947**	6,354	8,824
Representation and entertainment		**5,270**	8,195	3,099
Insurance, taxes and licenses		**5,160**	4,993	3,000
Professional fees, security and outside services		**3,040**	4,229	4,640
Rent, utilities and office expenses		**2,407**	5,308	10,440
Depreciation	*10*	**2,231**	440	757
Provision for (reversal of) impairment of receivables	*6*	**1,283**	2,619	(863)
Repairs and maintenance		**450**	241	223
Retirement benefit income	*14*	**-**	(353)	-
Others		**4,433**	194	865
		P43,004	P37,814	P36,690

19. Other Expenses - net

This account consists of:

	Note	2013	2012	2011
Write-off of accruals		**P32,553**	P3,320	P1,401
Rental income		**5,400**	-	-
Foreign exchange gain - net		**3,971**	1,918	2,800
Interest income from banks	5	**36**	31	24
Gain on sale of property and equipment and investment		**1**	33	-
Gain on sale of scrap	6	**-**	15,185	-
Income from refund of deposit		**-**	4,724	-
Reversal of long-outstanding trade payables		**-**	2,307	-
Condonation of borrowings	13	**-**	-	307,686
Write-off of prepaid taxes and asset-held-for-sale	9	**-**	(13,980)	-
Other expense		**(5)**	(3,259)	-
Loss on disposal of a subsidiary		**(135,107)**	-	-
Others - net		**8,811**	15	18
		(P84,340)	P10,294	P311,929

20. Income Taxes

The components of the income tax expense (benefit) are as follows:

	2013	2012
Current tax expense	**P9,596**	P1,143
Deferred tax expense (benefit)	**551**	(5,074)
	P10,147	(P3,931)

The reconciliation of the income tax expense (benefit) computed at the statutory income tax rates to the income tax expense recognized in profit or loss is as follows:

	2013	2012
Income (loss) before income tax expense	**(P66,023)**	P6,825
Tax statutory tax rate of 30%	**(P19,807)**	P2,048
Adjustments to income tax resulting from tax effects of:		
Loss on disposal of a subsidiary	**40,532**	-
Movement of MCIT	**166**	1,143
Non-deductible expenses	**108**	6,469
Unrecognized deferred income tax assets on temporary differences	**(11,021)**	2,874
Movement of NOLCO	**179**	(16,456)
Interest income subjected to final tax	**(10)**	(9)
	P10,147	(P3,931)

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

	2013	2012
Temporary differences:		
Impairment losses of assets-held-for-sale	**P66,742**	P66,742
Impairment losses of investment in associate	**59,930**	59,930
Impairment losses of receivables	**14,618**	14,098
Provision for inventory obsolescence	**3,879**	3,879
Accrued expenses	**966**	966
Retirement benefits liability	**-**	994
Allowance for inventory obsolescence	**-**	202
Unrealized foreign exchange gains	**-**	(159)
	146,135	146,652
NOLCO	**9,783**	43,373
MCIT	**1,040**	3,767
	P156,958	P193,792

The Group has NOLCO amounting to P32,609 as at December 31, 2013, which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/Applied	Balance	Date of Expiry
2010	P3,959	(P3,959)	P -	2013
2011	20,747	(7,708)	13,039	2014
2012	8,687	-	8,687	2015
2013	10,883	-	10,883	2016
	P44,276	(P11,667)	P32,609	

The Group has MCIT amounting to P1,040 as of December 31, 2013, which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/Applied	Balance	Date of Expiry
2010	P1,946	(P1,946)	P -	2013
2011	245	-	245	2014
2012	682	-	682	2015
2013	113	-	113	2016
	P2,986	(P1,946)	P1,040	

The movements of deferred tax assets (liability) are accounted for as follows:

	2013	2012*
Amount charged to profit or loss	**P551**	(P5,074)
Amount charged to OCI relating to remeasurement of defined benefit obligation	**(81)**	320
Decrease (increase) in deferred tax assets (liability)	**P470**	(P4,754)

**As restated (Note 3).*

21. Earnings Per Share

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

	2013	2012	2011
Net income (loss) for the year available to common shares	**(P76,170)**	P10,117	P287,969
Divided by weighted average number of common shares, in absolute number	**1,000,000**	1,000,000	1,000,000
Basic and diluted earnings/loss per share	**(0.0762)**	0.0101	0.02880

There are no dilutive shares used in the computation of the earnings per shares, hence basic earnings per share is the same with the dilutive earnings per share.

22. Financial Risk and Capital Management, Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments.

- Liquidity Risk
- Credit Risk
- Market Risk

This note presents information about the Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework.

Liquidity Risk. Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management.

December 31, 2013	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Financial Assets				
Cash	P1,604	P1,604	P1,604	P -
Receivables - net	183,032	183,032	183,032	-
Financial Liabilities				
Trade payables and other current liabilities	277,597	277,597	277,597	-
Long-term borrowings	568,301	1,194,648	24,708	1,169,940

December 31, 2012	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Financial Assets				
Cash	P17,117	P17,117	P17,117	P -
Receivables - net	186,483	186,483	186,483	-
Financial Liabilities				
Trade payables and other current liabilities	434,473	434,473	434,473	-
Long-term borrowings	568,301	1,194,648	-	1,194,648

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

The Group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of its counterparties. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

The maximum exposure of the Group to credit risk as at December 31, 2013 and 2012, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	2013	2012
Cash	*5*	P1,604	P17,117
Receivables - net	*6*	183,032	186,483
		P184,636	P203,600

The aging of receivables at the reporting dates is as follows:

December 31, 2013

	Gross Amount	Impairment	Net Realizable Value
Trade receivables:			
Current	P136,508	P -	P136,508
Past due			
1-30 days	8,189	-	8,189
31-60 days	8,066	-	8,066
61-90 days	15,908	-	15,908
More than 365 days	63,087	48,726	14,361
	P231,758	P48,726	P183,032

December 31, 2012

	Gross Amount	Impairment	Net Realizable Value
Trade receivables:			
Current	P120,098	P -	P120,098
Past due		-	
1-30 days	14,076	-	14,076
31-60 days	10,088	-	10,088
61-90 days	32,118	-	32,118
More than 365 days	57,096	46,993	10,103
	P233,476	P46,993	P186,483

The table below shows the credit quality of the Group's financial assets as at December 31, 2013 and 2012:

December 31, 2013	Neither Past Due nor Impaired				Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash in bank	P1,604	P -	P -	P1,604	P -	P -	P1,604
Receivables - net	136,508	-	-	136,508	46,524	48,726	231,758
	P138,112	P -	P -	P138,112	P46,524	P48,726	P233,362

December 31, 2012	Neither Past Due nor Impaired				Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash in bank	P17,117	P -	P -	P17,117	P -	P -	P17,117
Receivables - net	120,098	-	-	120,098	66,385	46,993	233,476
	P137,215	P -	P -	P137,215	P66,385	P46,993	P250,593

It is the Group's policy to maintain accurate and consistent risk ratings across the financial assets which facilitates focused management of applicable risks. The Group utilizes an internal credit rating system based on its assessment of the quality of the financial assets. The Group classifies its unimpaired receivables into the following credit grades:

High Grade - This pertains to accounts with a very low probability of default as demonstrated by the customer/debtor long history of stability, profitability and diversity. The customer/debtor has the ability to raise substantial amounts of funds through the public markets. The customer/debtor has a strong debt service record and a moderate use of leverage.

Medium Grade - The customer/debtor has no history of default. The customer/debtor has sufficient liquidity to fully service its debt over the medium term. The customer/debtor has adequate capital to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The customer/debtor reported profitable operations for at least the past 3 years.

Low Grade - The customer/debtor is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline. The customer/debtor may have a history of default in interest but must have regularized its service record to date. The use of leverage is above industry standards but has contributed to shareholder value.

Market Risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and other market prices, will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to foreign exchange rates risks.

Foreign Exchange Risk

Foreign exchange risk is the risk on the Group's purchases in a currency other than the Philippine peso.

The financial assets and liabilities of the Group are mainly denominated in Philippine peso. Thus, the Group's foreign exchange risk has been determined by management to be minimal as at December 31, 2013 and 2012.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

Total capital being managed by the Group consists of capital, additional paid-in capital and deficit as shown in the statement of financial position.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the separate statement of financial position.

There were no changes in the Group's approach to capital management during the year.

23. Financial Instruments

Cash and Receivables. The carrying amounts of cash and receivables approximate fair values due to the relatively short-term maturities of these financial instruments.

AFS Financial Assets
The fair value of quoted AFS equity securities is determined by reference to their quoted bid prices at the reporting date. The fair values of unlisted AFS financial assets are based on cost since there is no realizable basis for fair value.

Trade Payables and Other Current Liabilities. The carrying amounts of trade payables and other current liabilities approximate fair value due to the relatively short-term maturities of these financial instruments.

Long-term Borrowings
Long-term borrowings is reported at its present value, which approximates the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amount approximates fair value since the interest rates are repriced monthly.

24. Segment Information

The primary reporting format of business segments are the areas of operations comprising the manufacturing of corrugated carton containers, and other segment for administrative services and lease of properties. The Group's business segments operate in two main geographical areas namely Mindanao and Cebu. The business segment in Mindanao was sold in 2013 while Cebu operations has temporarily ceased in 2008.

The Group's operating segment is only its manufacturing plant in Mindanao and lease of property with the following information in 2013, 2012 and 2011, respectively:

2013

	Manufacturing	All Other Segments	Total
Revenues:			
Net product sales	P710,658	P -	P710,658
Services, rent, and interest income	15,649	5,400	21,049
Inter-segment rent and interest income	-	(5,400)	(5,400)
Total segment revenues	P726,307	P -	P726,307
Inter-segment interest expense	P -	P -	P -
Total segment operating profit	P61,321	P -	P61,321

2012

	Manufacturing	All Other Segments	Total
Revenues:			
Net product sales	P531,591	P -	P531,591
Services, rent, and interest income	48,858	5,400	54,258
Inter-segment rent and interest income	-	(5,400)	(5,400)
Total segment revenues	P580,449	P -	P580,449
Inter-segment interest expense	P -	P -	P -
Total segment operating profit	P22,774	P10,992	P33,766

2011

	Manufacturing	All Other Segments	Total
Revenues:			
Net product sales	P569,935	P -	P569,935
Services, rent, and interest income	41,348	5,400	46,748
Inter-segment rent and interest income	-	(5,400)	(5,400)
Total segment revenues	P611,283	P -	P611,283
Inter-segment interest expense	P987	P -	P987
Total segment operating profit	P22,751	(P9,748)	P13,003

The segment assets and liabilities for the years ended December 31, 2013 and 2012 are as follows:

	Manufacturing		All Other	
	Mindanao	Cebu	Segment	Total
2013				
Segment assets	P -	P109,627	P493,231	P602,858
Segment liabilities	-	57,990	789,985	847,975
2012				
Segment assets	396,521	109,614	332,621	838,756
Segment liabilities	388,788	57,909	559,893	1,006,590
2011				
Segment assets	442,613	109,614	305,186	857,413
Segment liabilities	551,054	57,909	425,717	1,034,680

The segment capital expenditure, depreciation and amortization expense for the years ended December 31, 2013, 2012 and 2011 are as follows:

	Manufacturing	All Other Segments	Total
2013			
Capital expenditure	P -	P11,526	P11,526
Depreciation and amortization expense	-	1,926	1,926
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

25. Commitments

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

In the opinion of management and 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 financial condition or operating results of the Group.

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Barrio Javalera, Gen. Trias, Cavite

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Steniel Manufacturing Corporation (the "Company") and Subsidiaries as at and for the year ended December 31, 2013, included in the Form 17-A, and have issued our report thereon dated April 9, 2014.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

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Partner
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BIR Accreditation No. 08-001987-6-2013
Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225138MC
Issued January 2, 2014 at Makati City

April 9, 2014
Makati City, Metro Manila

Stenlel Manufacturing Corporation and Subsidiaries

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
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			✔
	Amendment to PFRS 10: Transition Guidance			✔
	Amendment to PFRS 10: Investment Entities* (effective January 1, 2014)			✔
PFRS 11	Joint Arrangements			✔
	Amendment to PFRS 11: Transition Guidance			✔
PFRS 12	Disclosure of Interests in Other Entities			✔
	Amendments to PFRS 12: Transition Guidance			✔
	Amendments to PFRS 12: Investment Entities* (effective January 1, 2014)			✔
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	✔		
	Amendments to PAS 1: Comparative Information beyond Minimum Requirements	✔		
	Amendments to PAS 1: Presentation of the Opening Statement of Financial Position and Related Notes	✔		
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	✔		
	Amendments to PAS 16: Classification of Servicing Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Amended)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✔	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔

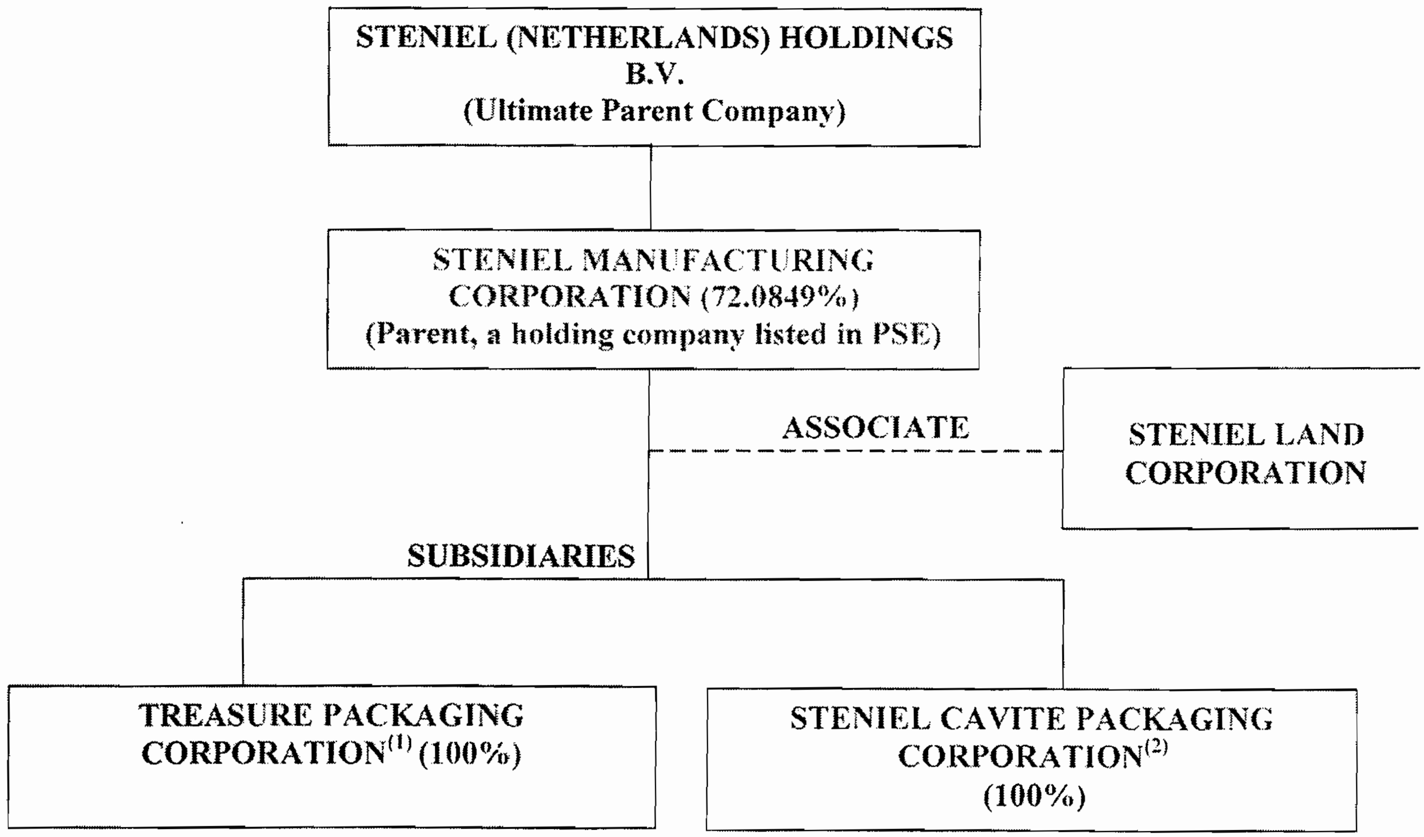
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27 (Amended)	Separate Financial Statements	✔		
	Amendment to PAS 27: Investment Entities (effective January 1, 2014)		✔	
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 32: Classification of Rights Issues	✔		
	Amendments to PAS 32: Income tax Consequences of Distributions	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings per Share			✔
PAS 34	Interim Financial Reporting			✔
	Amendments to PAS 34: Segment Assets and Liabilities			✔
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets			✔
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✔		
	Amendments to PAS 39: The Fair Value Option	✔		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✔		
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
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 9	Reassessment of Embedded Derivatives	✔		
	Amendments to Philippine Interpretation IFRIC -9 and PAS 39: Embedded Derivatives	✔		
IFRIC 10	Interim Financial Reporting and Impairment			✔
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	✔		
IFRIC 18	Transfers of Assets from Customers	✔		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✔		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies	✔		
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives	✔		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✔
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✔		
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✔
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✔
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✔
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✔
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✔
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✔		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✔
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✔		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✔
PIC Q&A 2011-03	Accounting for Inter-company Loans	✔		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✔
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✔
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?			✔
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements			✔
PIC Q&A 2012-02	Cost of a new building constructed on the site of a previous building			✔
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✔
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✔		

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

MAP OF THE CONGLOMERATE



(1) ceased operations in 2008

(2) ceased operations in 2006

Schedule A

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Financial Assets
December 31, 2013
(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	25,755	257,550	-
Fil-Estate	1	540,000	-
Metro Drug Distribution		8,333	-
Meralco	13,900	139,000	-
Manila Water Corp	220,000	5,931,500	-
Melco Crown Plaza	303,000	3,985,000	-
		10,861,383	

Steniel Manufacturing Corporation and Subsidiaries

Amounts Receivable/Payables with Related Parties which are eliminated during the consolidation of financial statements
December 31, 2013
(All amounts in thousand Philippine Peso)

Name and designation of debtor	December 31, 2012	Addition/ (Deduction)	Assignment/ Condonation	Written-off	Current	Non Current	December 31, 2013
Trade receivables							
TPC	197	-	-	-	-	-	197
	197	-	-	-	-	-	197
Trade payables							
SCPC	6,332	483	-	6,135	483	-	680
TPC	55,340	-	-	-	-	-	55,340
	61,672	483	-	6,135	483	-	56,020
Advances to subsidiaries, at gross							
SCPC	218,465	1,022	-	-	1,022	-	219,487
TPC		-	-	-	-	-	-
	218,465	1,022	-	-	1,022	-	219,487
Due from related party							
TPC	56,380	(39)	-	-	-	-	56,341
	336,714	1,466	-	6,135	1,505	-	332,045

Steniel Manufacturing Corporation and Subsidiaries

Intangible Assets - Other Assets
December 31, 2013
(All amounts in Philippine Peso)

Description	December 31, 2012	Additions	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	December 31, 2013
			NONE			

Schedule E

Steniel Manufacturing Corporation and Subsidiaries

Long-Term Debts
December 31, 2012 and 2013
(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

Steniel Manufacturing Corporation and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
December 31, 2012 and 2013
(All amounts in Philippine Peso)

Name of related party	Balance at the beginning of period	Balance at the 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 Issuer
December 31, 2012 and 2013
(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 2013
(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