# COVER SHEET

AS095-008557
SEC Registration Number

MINERALES INDUSTRIAS CORPORATION
(Company's Full Name)

Unit 103 Ground Flr. Prestige Tower Condominium Ortigas Jr. Ave. Ortigas Center, Pasig City
(Business Address: No., Street City / Town / Province)

| Atty. Ana A. Katigbak | 817 6791 to 95 |
|---|---|
| Contact Person | Company Telephone Number |

| 12 | 31 | SEC Form 20-IS Definitive Information Statement | Annual Meeting of Stockholders **May 27, 2015** |
|---|---|---|---|
| Month | Day | FORM TYPE | Month Day |
| Fiscal Year | | | Annual Meeting |

Secondary License Type, If Applicable

| CFD | |
|---|---|
| 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 ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Dear Stockholders:**

Please be notified that the annual meeting of stockholders of **MINERALES INDUSTRIAS CORPORATION** (the "Corporation") will be held on Wednesday, May 27, 2015 at 3:00 p.m., at the Columbus Room, Discovery Suites, 42nd Floor, 25 ADB Avenue, Ortigas Center, Pasig City, with the following agenda:

1. Call to Order
2. Report on Attendance and Quorum
3. Approval of Minutes of Annual Stockholders' Meeting held on July 9, 2014
4. Management Report for the year ended December 31, 2014
5. Ratification of all Acts of the Board of Directors and Officers during the preceding year
6. Delegation of Authority to Appoint the Independent Auditor
7. Election of Directors
8. Other Matters
9. Adjournment

Stockholders of record as of April 30, 2015 will be entitled to notice of, and to vote at said annual meeting or any adjournment or postponement thereof.

Duly accomplished proxies should be submitted to the Corporate Secretary of the Corporation not later than May 16, 2015. Validation of proxies shall be held on May 22, 2015 at 10:00 a.m. at the principal office of the Corporation.

On the day of the meeting you, or your duly designated proxy, are hereby required to bring this Notice and any form of identification (i.e. driver's license, company I.D., TIN card, etc.) to facilitate registration. Registration starts exactly 1:30 p.m. and closes at 2:15 p.m.

Very truly yours,

**ANA MARIA A. KATIGBAK**
Corporate Secretary and
Compliance Officer

# PROXY

## MINERALES INDUSTRIAS CORPORATION

**PROXY SOLICITED ON BEHALF OF THE MANAGEMENT OF MINERALES INDUSTRIAS CORPORATION FOR THE ANNUAL STOCKHOLDERS' MEETING TO BE HELD ON MAY 27, 2015, 3:00 P.M. AT THE COLUMBUS ROOM, DISCOVERY SUITES, 42ND FLOOR, 25 ADB AVENUE, ORTIGAS CENTER, PASIG CITY.**

**Instruction**

**(a)** The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.

**(b)** Duly accomplished proxies may be mailed or submitted personally to the Corporate Secretary of the Corporation not later than May 16, 2015 at the following address:

The Corporate Secretary
Minerales Industrias Corporation
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

**(c)** In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.

**(d)** Validation of proxies will be held by the Stock Transfer Agent on May 22, 2015 at 10:00 a.m. at the principal office of the Corporation at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

**(e)** Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the President of the Corporation, as his proxy for the annual stockholders meeting to be held on May 27, 2015.

**(f)** If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.

**(g)** The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b)

**(h)** The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1), (2), (3), and (4), below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter.

**The Undersigned hereby appoints:**

a) The President of Minerales Industrias Corporation
b) ______________________________________________

as his/her/its Proxy to attend the above annual meeting of the stockholders of **Minerales Industrias Corporation**, and any adjournment or postponement thereof, and thereat to vote all shares of stock held by the undersigned as specified below and on any matter that may properly come before said meeting.

Management recommends a vote for:

**1.** ***Approval of the minutes of the previous annual meeting of stockholders held on July 9, 2014***

[ ] For [ ] Against [ ] Abstain

**2.** ***Ratification of all the acts and resolutions of the Board of Directors, officers and management of the Corporation from the last fiscal year to date.***

[ ] For [ ] Against [ ] Abstain

**3.** ***Delegation of Authority to Appoint Independent Auditor***

[ ] For [ ] Against [ ] Abstain

**4.** ***Election of Directors***[1]

( ) for all nominees listed below (except as marked to the contrary below).
( ) withhold authority to vote for all nominees listed below.
( ) strike the box opposite the name of each nominee to indicate that authority to vote for such nominee is withheld.

**Security holder may strike a line through the nominee's name in the list below to withhold authority to vote for any individual nominee.**

Nominees

*For Regular Directors:*

**[ ]** GENER T. MENDOZA
**[ ]** ISABELITA P. MERCADO
**[ ]** ANTONIO VICTORIANO F. GREGORIO III
[ ] FRANCIS-NEIL P. MERCADO
[ ] JOSEPH QUINTIN Y. LAO

*For Independent Directors:*

**[ ]** ALFREDO P. JAVELLANA II
**[ ]** WILLIAM D. TY

**(i)** In their discretion, the Proxies are authorized to vote upon such other matters as may properly come before the meeting.

This proxy when properly executed will be voted in the manner directed above by the undersigned stockholder. If no direction is made, this proxy will be voted for items 1, 2, 3, and 4.

Dated _______________

_____________________________________________
(Signature over printed name, including title when signing for a corporation or partnership or as an agent, attorney or fiduciary)

Please mark, sign, date, and return promptly in accompanying envelope.

[1] Cumulative method of voting under Section 24 of the Corporation Code of the Philippines is allowed.

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 20-IS**
**INFORMATION STATEMENT PURSUANT TO SECTION 20**
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [] Preliminary Information Statement

   **[√] Definitive Information Statement**

2. Name of Corporation as specified in its charter: **MINERALES INDUSTRIAS CORPORATION**

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

4. SEC Identification Number: AS095-008557

5. BIR Tax Identification Code: 004-636-077-000

6. Address of principal office Postal Code: Unit 103, Ground Floor, Prestige Tower Condominium,
   F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

7. Corporation's telephone number, including area code: **(632)** 897-5257/817-6791

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

   **May 27, 2015, Wednesday**
   **3:00 P.M.**
   **Columbus Room**
   **Discovery Suites**
   **42nd Floor, 25 ADB Avenue**
   **Ortigas Center, Pasig City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: May 4, 2015

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: The Management of the Corporation

    Address and Telephone No.: Unit 103, Ground Floor, Prestige Tower Condominium,
    F. Ortigas Jr. Avenue, Ortigas Center, Pasig City
    Telephone: (632) 897-5257/817-6791

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common | 690,000,000 shares |

12. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?
Yes (√) No ( )

If yes, disclose the name of such Stock Exchange and the class of securities therein:

Philippine Stock Exchange - Common Stock

**PART I**
**INFORMATION REQUIRED IN INFORMATION STATEMENT**

## A. GENERAL INFORMATION

### Item 1. Date, Time and Place of Meeting

The enclosed proxy is solicited for and on behalf of the Management of **MINERALES INDUSTRIAS CORPORATION** (hereinafter called the "Corporation") for use in connection with the annual meeting of the stockholders to be held on May 27, 2015 at 3:00 P.M., at the Columbus Room, Discovery Suites,42nd Floor, 25 ADB Avenue, Ortigas Center, Pasig City.

The information statement and form of proxy will be sent to the stockholders of record as April 30, 2015 (the "Record Date") on or before May 6, 2015.

The matters to be considered and acted upon at such meeting are referred to in the Notice and are more fully discussed in this statement.

The complete mailing address of the Corporation is:

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

### Item 2. Dissenter's Right of Appraisal

The Corporation Code limits the exercise of the appraisal right to the following instances:

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);

c. In case of merger or consolidation (Section 81);

d. In case of investments in another corporation, business or purpose (Section 42).

The appraisal right shall be available to any stockholder who voted against the proposed action and any stockholder who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Corporation has unrestricted retained earnings in its books to cover such payment.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director, officer, nominee for director, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon. No director has informed the Corporation in writing of any intention to oppose any action to be taken during the meeting.

## B. CONTROL AND COMPENSATION INFORMATION

**Item 4. Voting Securities and Principal Holders**

**(a)** As of the Record Date which is April 30, 2015, the date to determine the stockholders entitled to notice and to vote at the annual meeting of stockholders on May 27, 2015, the Corporation has the following outstanding shares:

| | | |
|---|---|---|
| Common shares (voting) | - | 690,000,000 shares |

As of the March 31, 2015, 682,150,798 common shares of the Corporation are registered under Filipinos and 7,849,202 common shares are registered under foreign ownership.

**(b)** Only holders of common shares as of the Record Date shall be entitled to vote in the election of directors in the manner provided hereunder. On the approval of the minutes of the previous stockholders' meeting, ratification of all acts of the Board of Directors and officers during the previous year, and appointment of the independent auditor, each share of outstanding common stock is entitled to one vote.

**(c)** In the election of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of common shares of stock standing in his name at record date. A stockholder entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by a stockholder shall not be exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

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

The following table sets forth as of March 31, 2015, the record and/or beneficial owners of more than 5% of the outstanding common shares of the Corporation and the amount of such record and/or beneficial ownership.

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Name and Address of Beneficial Owner and Relationship with Record Owner | Citizenship | Number of Shares Held | Percent of Class |
|---|---|---|---|---|---|
| Common | IPM Construction and Development Corporation | Unit 103, G/F Prestige Tower Condominium, F. Ortigas Jr. Ave., Ortigas Center, Pasig City | Filipino | 350,000,000 | 50.725% |
| Common | PCD Nominee Corporation | The beneficial owners of such shares are Philippine Depository & Trust Corporation (PDTC) participants who hold the shares on their behalf or on behalf of their clients | Filipino | 199,714,274 | 28.944% |
| Common | IPM Environmental Services, Inc. | Unit 103, G/F Prestige Tower Condominium, F. Ortigas Jr. Ave., Ortigas Center, Pasig City | Filipino | 65,000,000 | 9.42% |
| Common | IPM Realty and Development Corporation | Unit 103, G/F Prestige Tower Condominium, F. Ortigas Jr. Ave., Ortigas Center, Pasig City | Filipino | 50,000,000 | 7.246% |

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

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Citizenship | Number of Shares Held | Percent of Class |
|---|---|---|---|---|
| Common | Abacus Securities Corporation<br>2904A-East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center | Filipino | 54,997,493 | 26.506% |
| Common | Meridian Securities, Inc.<br>Suite 2702 B&C Tektite Tower 1 Ortigas Centre, Pasig City | Filipino | 44,295,800 | 21.348% |
| Common | Angping & Associates Securities, Inc<br>The Peak Tower, L.P. Leviste St., Makati City | Filipino | 20,249,800 | 9.759% |

| | | | | |
|---|---|---|---|---|
| Common | Wealth Securities, Inc.<br>2004A-East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center | Filipino | 14,973,400 | 7.216% |

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

As of March 31, 2015, the foreign ownership level of MIC is 7,849,202 shares or equivalent to 1.1376%.

The respective proxies of the above shareholders are appointed by their respective Board of Directors. Identity of the natural persons authorized to vote the shares of above shareholders will be determined upon submission of the proxies on May 16, 2015.

**(e) Security Ownership of Management**

The table sets forth as of March 31, 2015, the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of Class |
|---|---|---|---|---|
| Common | Isabelita P. Mercado<br>*Chairman and President* | 1,000,000 (Direct)<br>500,000 (Indirect) | Filipino | 0.21739% |
| Common | Alfredo P. Javellana II<br>*Independent Director* | 1,000 (Direct)<br>179,000 (Indirect) | Filipino | 0.02608% |
| Common | Gener T. Mendoza<br>*Director* | 1,855,000 (Direct) | Filipino | 0.26884% |
| Common | Antonio Victoriano F. Gregorio III<br>*Director* | 1,000(Direct) | Filipino | 0.00014% |
| Common | William D. Ty<br>*Independent Director* | 2,000,000 (Direct) | Filipino | 0.28986% |
| Common | Francis Neil P. Mercado<br>*Director* | 2,000 (Direct) | Filipino | 0.00029% |
| Common | Joseph Quintin Y. Lao<br>*Director* | 100,000 (Direct)<br>5,441,300 (Indirect) | Filipino | 0.80308% |
| Common | Ana Maria A. Katigbak<br>*Corporate Secretary* | 0 | Filipino | 0 % |
| | **T O T A L** | **11,079,300** | | **1.60568%** |

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

**(f) Voting Trust Holders of 5% or more**

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

**(g) Changes in Control**

From January 1, 2014 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement, which may result in a change in control of it.

**Item 5. Directors and Executive Officers**

**(a) Incumbent Directors and Executive Officers.**

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

| Name | Position | Age | Citizenship |
|---|---|---|---|
| Isabelita P. Mercado | Chairman/President | 65 | Filipino |
| Alfredo P. Javellana II | Independent Director | 69 | Filipino |
| Gener T. Mendoza | Director | 57 | Filipino |
| William D. Ty | Independent Director | 70 | Filipino |
| Antonio Victoriano F. Gregorio III | Director | 41 | Filipino |
| Francis Neil P. Mercado | Director/Treasurer | 35 | Filipino |
| Joseph Quintin Y. Lao | Director | 32 | Filipino |

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

| Name | Position | Age | Citizenship |
|---|---|---|---|
| Isabelita P. Mercado | President | 65 | Filipino |
| Francis Neil P. Mercado | Treasurer | 35 | Filipino |
| Ana Maria A. Katigbak | Corporate Secretary | 46 | Filipino |

**b. Term of office.**

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified. Of the seven members of the Board, Messrs. Gener T. Mendoza, William D. Ty and Ms. Isabelita P. Mercado have been directors of the Corporation since July, 2007. Atty. Antonio F. Gregorio III has been a director since July, 2011, while Mr. Francis P. Mercado and Mr. Joseph Quintin Y. Lao have been directors since May, 2012. Atty. Alfredo P. Javellana II has been a director since July, 2012. As regards the executive officers, Ms. Isabelita P. Mercado has been President since September, 2013, Atty. Maria Ana Katigbak has been Corporate Secretary since July, 2007, and Mr. Francis Neil P. Mercado has been Treasurer since September, 2013.

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

**ISABELITA P. MERCADO**, 65 years old, for the past five years has been the chair and chief executive officer of IPM Construction and Development Corporation (1991 to present), IPM Environment Services Inc. (2003 to present), IPM Realty & Development Corporation (1991 to present), IPM Trading and Development Corporation (1989 to present) and TRX Global Corporation (2008 to present). She also serves as president of Lee Gardens Property and Development Corporation (1997 to present) and director of several other companies within the IPM Group.

**ALFREDO P. JAVELLANA II**, 69 years old, is an independent director of USB Securities Phil. Inc. Mr. Javellana earned his Bachelor of Science in Commerce Major in Accounting and Bachelor of Laws from the University of San Agustin, Iloilo City. He was an independent director of UBS Securities Philippines, Inc. from December 16, 2009 to February 10, 2010. For the past five years he was a director of Philippine Savings Bank and Toyota Motor Philippines. Previously, he was the Chief Finance Officer of the Metropolitan Bank & Trust Company, Inc. likewise held several other positions in the same bank prior to his appointment as CFO.

**GENER T. MENDOZA,** 57 years old, is co-founder and president of GNCA Holdings, Inc. For several years now, he has served as rehabilitation receiver or assignee-in insolvency for various companies. Previously, he was a principal at SyCip Gorres & Co. (1983 to 1991), vice president for corporate finance of Kuok Phil. Properties Inc. (1994 to 1996) and executive vice president of Crown Equities Inc. (1996). Mr. Mendoza earned his MBA from the Harvard Business School and his bachelor of science in management engineering (summa cum laude) from the Ateneo de Manila University.

**WILLIAM D. TY**, 70 years old, for the past five years has been the chair and president of WAM Realty and Development Corporation (1986-present), WAM Food and Development Corporation (1978-present), Wellington Investment Manufacturing Corporation (2000-present), and Toyota Cubao Inc. (1999-present). Apart from his business affiliations and interests, Mr. Ty also serves as a regular director of Organizational Change Consultants International Inc. (1995-present) and the Alicia Tan Ty Foundation (1994-present).

**ANTONIO VICTORIANO F. GREGORIO III,** 41 years old**,** Mr. Gregorio graduated with a Juris Doctor from the Ateneo de Manila University Second Honors in 1998 and passed the bar examinations in 1999. He also has a Bachelor of Science Major in Management Engineering and a Bachelor of Arts, Major in Economics-Honors, both from the Ateneo de Manila University, with a standing of magna cum laude. He was valedictorian of his high school class in the Ateneo. Atty. Gregorio is a Partner at Gregorio Law Offices and sits as director and officer of various public and private companies, including Lodestar Investments Holdings Corporation (Corporate Secretary and Assistant Corporate Information Officer, 2008 to present), Abacus Consolidated Resources and Holdings, Inc., AGP Industrial Corporation (Chairman), Active Earnings, Inc. (Corporate Secretary, 2003 to present), Tajima Yakiniku, Inc. (Corporate Secretary, 2005 to present), Tanba Yakiniku, Inc. (Corporate Secretary and Treasurer), Big Herald Link International Corporation (Corporate Secretary and Treasurer, 2004 to present), Pride Development Bank Corporation, among other companies.

**FRANCIS-NEIL P. MERCADO**, 35 years old, graduated with a Bachelor of Science degree in Economics and Finance from Southern New Hampshire University, Manchester, New England, USA in 2003. He also completed his Bachelor of Science in Economics from Nottingham University, United Kingdom in 2001 and Foundation Levels from Bellerby's College, Cambridge, United Kingdom. He sits as director and/or officer of various companies' including Metro luxury Mining Corp. (2009 to present), Zinith Mines Inc. (2009-present), IPM Construction and Development Corp. (2007-present), IPM Realty and Development Corp. (2007-present) and IPM Trading and Development Corp. (2007-present).

**JOSEPH QUINTIN Y. LAO**, 32 years old, is a graduate of B.S. Commerce major in Computer Information Systems and Management from the Asia Pacific College, and B.S. International Hospitality Management with specialization in Culinary Arts from the Enderun Colleges + Alain Ducasse Formation, 1100 Campus Avenue McKinley Hill, Fort Bonifacio, Taguig. From 2004 to present, he has been the General Manager of Golden Kitchen Food Corporation. He is also the proprietor of JYL's Café located at

Oriental Garden's Makati, Chino Roces, Makati City. For the past five years, he has also been the Corporate Secretary of Splendor Fortune Corporation and Splendor Realty Corporation (2007-present).

**ANA MARIA A. KATIGBAK,** 46 years old, is a member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws at the University of the Philippines. She is a Partner at the Castillo Laman Tan Pantaleon & San Jose Law Offices. For the past five years, she has served as assistant corporate secretary in certain publicly-listed companies such as: Marcventures Holdings, Inc., Boulevard Holdings, Inc., Premiere Entertainment Philippines

**(d) Independent Directors.**

Messrs. Alfredo P. Javellana II and William D. Ty are currently the Corporation's Independent Directors. Attached hereto as Annex "A" are the Certifications issued by Messrs. Javellana and Ty of their qualification to act as Independent Directors.

Under its By-Laws, the Corporation is required to have at least two (2) Independent Directors or such number of Independent Directors as shall be required under the applicable rules and regulations of the Securities and Exchange Commission.

In compliance with the Revised Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009) and SRC Rule 38, which provides for the guidelines on the nomination and election of independent directors, the Nomination Committee was tasked among others, to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed in the said SEC Memo Circular/SRC Rule 38 and the Company's Revised Code of Corporate Governance.

The Corporation's Nomination and Compensation Committee is composed of the following:

| | |
|---|---|
| Chairman: | Gener T. Mendoza |
| Members: | Antonio Victoriano F. Gregorio III |
| | Joseph Quintin Y. Lao |
| | William D. Ty (Independent Director) |

**(e) Other directorships held in reporting companies naming each company.**

| | |
|---|---|
| Antonio Victoriano F. Gregorio III | Chairman and Director of Nihao Mineral Resources Int'l. Inc., Asiabest Group International Inc. and Lodestar Investments Holdings Corporation, Director of Abacus Consolidated Resources and Holdings, Inc. and Dizon Copper-Silver Mines. |

**(f) Family Relationship**

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

**(g) Resignation/Re-election**

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

### (h) Involvement in Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past five (5) years up to the present date of this Information Statement of any of the following events that are material to an evaluation of the ability and integrity of any director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

### (i) Significant employees

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

### (j) Certain Relationships and Related Transactions

Except as disclosed in Note 15 of the audited consolidated financial statements for 2014, there were no other transactions entered into with related parties.

## Item 6. Compensation of Directors and Executive Officers

The following is a summary of the aggregate compensation paid or accrued during the last two fiscal years (2014 and 2013) and the ensuing fiscal year (2015), to the Company's Chief Executive Officer and other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

| Name and Principal Position | Year | Salary | Bonus | Other Annual Compensation |
|---|---|---|---|---|
| Isabelita P. Mercado<br>*Chairman and President* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| Alfredo P. Javellana II<br>*Independent Director* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| Gener T. Mendoza<br>*Director* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| William D. Ty<br>*Independent Director* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| Antonio Victoriano F. Gregorio III<br>*Director* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| Francis Neil P. Mercado<br>*Director and Treasurer* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| Joseph Quintin Y. Lao<br>*Director* | 2015 - Jan to Mar 31<br>2014 - Jan to Dec 31<br>2013 - Jan to Dec 31 | | | |
| TOTAL OF THE GROUP | 2015<br>2014<br>2013 (estimate) | NIL<br>NIL<br>NIL | | |

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

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

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

**Item 7. Independent Public Accountant**

**(a)** The auditing firm of SyCip Gorres Velayo & Co. will be recommended to the stockholders for appointment as the Corporation's principal accountant for the ensuing fiscal year. Conformably with SRC Rule 68(3) (b) (iv), the Corporation's independent public accountant shall be rotated, or the handling partner shall be changed, every 5 years. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor.

**(b)** Ms. Jessie D. Cabaluna, audit partner of SyCip Gorres Velayo & Co. is the principal accountant of the Corporation for the fiscal year most recently completed (December 31, 2014).

**(c)** Representatives of SyCip Gorres Velayo & Co are expected to be present at the May 27, 2015 stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

**(d)** SyCip Gorres Velayo & Co has no shareholdings in the Corporation nor does it have any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Corporation. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines.

**(e)** There are no disagreements on any matter of accounting principle or practices, financial statement disclosures, etc., between SyCip Gorres Velayo & Co and the Corporation.

**(f)** The Company's Audit Committee is composed of the following:

| | |
|---|---|
| Chairman: | Alfredo P. Javellana II (Independent Director) |
| Members: | William D. Ty (Independent Director) |
| | Francis Neil P. Mercado |

**Item 8. Compensation Plan**

There are no items to be taken up with respect to compensation plans.

## C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

There are no items to be taken up with respect to authorization or issuance of securities.

**Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up with respect to the modification or exchange of the Company's securities.

**Item 11. Financial and Other Information**

The audited consolidated financial statements as of December 31, 2014, Management's Discussion and Analysis, Market Price of Shares and Dividends, and other data related to the Company's financial information are attached hereto as "Annex B."

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no action to be taken with respect to any merger, consolidation or acquisition.

**Item 13. Acquisition or Disposition of Property**

There is no action to be taken with respect to any acquisition or disposition of property.

**Item 14. Restatement of Accounts**

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

## D. OTHER MATTERS

**Item15.Action with respect to Reports**

**Summary of Items to be Submitted for Stockholders' Approval**

(1) ***Approval of the Minutes of the Annual Stockholders' Meeting held on July 9, 2014***

The minutes of the annual stockholders' meeting held on July 9, 2014 will be submitted for approval of the stockholders at the annual meeting to be held on May 27, 2015.

Below is a summary of the items and/or resolutions approved at the annual stockholders' meeting held on July 9, 2014:

(a) The Chairman of the Board of Directors of the Corporation called the meeting to order. The Secretary of the meeting certified that a quorum existed for the transaction of business.

(b) The stockholders approved the minutes of the annual stockholders' meeting held on September 19, 2013

(c) The Chairman delivered his message.

(d) The President of the Corporation presented the management report.

(e) Upon motion duly made and seconded, the stockholders ratified the acts of the officers and the Board of Directors of the Corporation performed or undertaken in the year 2013 to 2014.

(f) Upon motion duly made and seconded, the stockholders approved the delegation of authority to appoint Independent Auditors to the Board of Directors for the current year 2014.

(g) The following were elected as directors of the Corporation for the year 2013-2014, to serve as such for a period of one year and until their successors shall have been elected and qualified:

For Regular Directors:

Gener T. Mendoza
Isabelita P. Mercado
Antonio Victoriano F. Gregorio III
Francis Neil P. Mercado
Joseph Quintin Y. Lao

For Independent Directors:

Atty. Alfredo P. Javellana II
William D. Ty

(h) Upon motion duly made and seconded, the annual stockholders' meeting was adjourned.

***(2) Ratification of the Acts of the Board of Directors and Officers***

Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the minute books, annual report and financial statements. These acts are covered by resolutions of the Board of Directors duly adopted in the normal course of trade or business involving engagement of consultants, approval of financial statements, designation of authorized bank signatories, and election of the officers and members of the various Board committees.

***(3) Delegation of Authority to Appoint Independent Auditor***

A recommendation to delegate to the Board of Directors the authority to appoint the independent auditor.

**Item 16. Matters Not Required to be Submitted**

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

**Item 17. Amendment of Charter, By-laws or Other Documents**

No action is to be taken with respect to amendment of Charter or By-Laws of the Corporation.

**Item 18. Summary of Voting Matters/Voting Procedures**

**(a) Summary of Matters to be presented to the Stockholders**

(1) Approval/ratification of the minutes of the annual meeting of stockholders held on July 9, 2014. Approval of said minutes shall constitute confirmation of all the matters stated in the minutes.

(2) Resolutions, contracts, and acts of the board of directors and management for ratification refer to those passed or undertaken by them during the year and for the day to day operations of the Company as contained or reflected in the minute books, annual report and financial statements. These acts are covered by resolutions of the Board of Directors duly adopted in the normal course of trade or business involving treasury matters, engagement of consultants,

approval of financial statements, designation of authorized bank signatories, and election of the officers and members of the various Board committees.

(3) Delegation of Authority to Appoint Independent Auditor

(4) Election of Directors

Election of a Board of seven (7) directors, each of whom will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified. The nominees for directors are:

***For Regular Directors:***

ISABELITA P. MERCADO
ANTONIO VICTORIANO F. GREGORIO III
GENER T. MENDOZA
FRANCIS-NEIL P. MERCADO
JOSEPH QUINTIN Y. LAO

***For Independent Directors:***

ALFREDO P. JAVELLANA II
WILLIAM D. TY

All of the above nominees are currently directors of the Corporation.

The nominees for Independent Directors[1] of the Corporation for the Annual Stockholders' Meeting of May 27, 2015 within the purview of SRC Rule 38 are Mr. Alfredo P. Javellana II and Mr. William D. Ty.

**(b) Voting Procedures**

(1) Approval/ratification of the minutes of the annual stockholders' meeting held on July 9, 2014.

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(2) Ratification of the acts of the Board of Directors and Officers

[1] An "Independent Director" shall mean a person other than an officer or employee of the Corporation or its subsidiaries, or any other individual having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(3) Delegation of Authority to Appoint Independent Auditor

(A) Vote required: A majority of the outstanding common stock present in person or by proxy, provided constituting a quorum.

(B) Method by which votes shall be counted: Each outstanding common stock shall be entitled to one (1) vote. The votes shall be counted by a show of hands or, upon motion duly made and seconded, by secret ballot.

(4) Election of Directors

(A) Vote required: The seven (7) candidates receiving the highest number of votes shall be declared elected, provided that at least two of whom must be independent directors.

(B) Method by which votes will be counted: Cumulative voting applies**.** Under this method of voting, a stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock books of the Corporation as of the Record Date, and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

The seven nominees obtaining the highest number of votes will be proclaimed as Directors of the Corporation for the ensuing year, two of whom shall be independent directors.

SyCip Gorres Velayo & Co. was appointed as Board of Canvassers for the annual meeting. The Board of Canvassers shall have the power to count and tabulate all votes, assents and consents, determine and announce the result, and to do such acts as may be proper to conduct the election or vote with fairness to all stockholders.

## PART II
## INFORMATION REQUIRED IN A PROXY FORM

**Item 1. Identification**

This proxy is being solicited for and on behalf of the Management of the Corporation. The President of the Corporation will vote the proxies at the annual stockholders' meeting to be held on May 27, 2015.

**Item 2. Instruction**

**(a)** The proxy must be duly accomplished by the stockholder of record as of Record Date. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy.

**(b)** Duly accomplished proxies shall be submitted to the Corporate Secretary of the Corporation not later than May 16, 2015 (not less than 10 calendar days prior to the date of the stockholders' meeting) at the following address:

The Corporate Secretary
Minerales Industrias Corporation
Unit 103, Ground Floor, Prestige Tower Condominium,
F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

**(c)** In case of shares of stock owned jointly by two or more persons, the consent of all co-owners must be necessary for the execution of the proxy. For persons owning shares in an "and/or" capacity, any one of them may execute the proxy.

**(d)** Validation of proxies will be held by the Corporate Secretary and/or Stock Transfer Agent on May 22, 2015 at 10:00 a.m. at the principal office of the Corporation at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

**(e)** Unless otherwise indicated by the stockholder, a stockholder shall be deemed to have designated the President of the Corporation, as his proxy for the annual stockholders meeting to be held on May 27, 2015.

**(f)** If the number of shares of stock is left in blank, the proxy shall be deemed to have been issued for all of the stockholder's shares of stock in the Corporation as of Record Date.

**(g)** The manner in which this proxy shall be accomplished, as well as the validation hereof shall be governed by the provisions of SRC Rule 20 (11)(b).

**(h)** The stockholder executing the proxy shall indicate the manner by which he wishes the proxy to vote on any of the matters in (1) to (7) below by checking the appropriate box. Where the boxes (or any of them) are unchecked, the stockholder executing the proxy is deemed to have authorized the proxy to vote for the matter. **(Note: If you intend to submit a proxy, please fill up and submit the enclosed proxy instrument, not the following Item 2(h).)**

(1) Approval of the minutes of the previous annual meeting of stockholders held on July 9, 2014.

☐ FOR ☐ AGAINST ☐ ABSTAIN

(2) Ratification of all the acts and resolutions of the Board of Directors, officers and management of the Corporation from the last fiscal year to date.

☐ FOR ☐ AGAINST ☐ ABSTAIN

(3) Delegation of Authority to Appoint Independent Auditor

 FOR  AGAINST  ABSTAIN

(4) Election of Directors

( ) for all nominees listed below (except as marked to the contrary below).
( ) withhold authority to vote for all nominees listed below.
( ) strike the box opposite the name of each nominee to indicate that authority to vote for such nominee is withheld.

**Security holder may strike a line through the nominee's name in the list below to withhold authority to vote for any individual nominee.**

Nominees

*For Regular Directors:*
[ ] GENER T. MENDOZA
[ ] ISABELITA P. MERCADO
[ ] ANTONIO VICTORIANO F. GREGORIO III
[ ] FRANCIS-NEIL P. MERCADO
[ ] JOSEPH QUINTIN Y. LAO

*For Independent Directors:*
[ ] ALFREDO P. JAVELLANA II
[ ] WILLIAM D. TY

**Item 3. Revocability of Proxy**

Any stockholder who executes the proxy enclosed with this statement may revoke it at any time before it is exercised. The proxy may be revoked by the stockholder executing the same at any time by submitting to the Corporate Secretary a written notice of revocation not later than the start of the meeting, or by attending the meeting in person and signifying his intention to personally vote his shares. Shares represented by an unrevoked proxy will be voted as authorized by the stockholder.

**Item 4. Persons Making the Solicitation**

The solicitation is made by the Management of the Corporation. No director of the Corporation has informed the Corporation in writing that he intends to oppose an action intended to be taken up by the Management of the Corporation at the annual meeting. Solicitation of proxies shall be made through the use of mail or personal delivery by its regular employees. The Corporation shall not engage the services of special employees or proxy solicitors in the proxy solicitation. The Corporation will shoulder the cost of solicitation, which is estimated to be ₱10,000.00.

**Item 5. Interest of Certain Persons in Matters to be Acted Upon**

No director, officer, or associate of any of the foregoing, has any substantial interest, direct or indirect, by security holdings or otherwise, on any matter to be acted upon at the annual stockholders' meeting to be held on May 27, 2015 except as otherwise disclosed in this report.

## PART III

## SIGNATURE

Management does not intend to bring any matter before the meeting other than those set forth in the Notice of the annual meeting of stockholders and does not know of any matters to be brought before the meeting by others. If any other matter does come before the meeting, it is the intention of the persons named in the accompanying proxy to vote the proxy in accordance with their judgment.

**ACCOMPANYING THIS INFORMATION STATEMENT ARE COPIES OF THE (1) NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF; (2) PROXY INSTRUMENT; AND (C) THE CORPORATION'S MANAGEMENT REPORT PURSUANT TO SRC RULE 20 (4).**

**UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE CORPORATION WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE CORPORATION'S LATEST ANNUAL REPORT IN SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.**

**ALL REQUESTS MAY BE SENT TO THE FOLLOWING:**

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

**Attention: The Corporate Secretary**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati, April 28, 2015.

**MINERALES INDUSTRIAS CORPORATION**

By:

**Ana Maria A. Katigbak**
**Corporate Secretary**

**ANNEX "B"**

## MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
## MANAGEMENT REPORT
Pursuant to SRC Rule 20 (4)

**I. INCORPORATED HEREIN ARE THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY FOR THE YEAR ENDED DECEMBER 31, 2014 WITH THE CORRESPONDING STATEMENT OF MANAGEMENT RESPONSIBILITY.**

**II. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

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

**III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS**

**PLAN OF OPERATIONS**

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

At the same time, the Company shall also look at opportunities for investing in other industries which can draw on and take advantage of the core capabilities of BEST and its affiliates in the IPM group. In this regard, the Company sought and obtained approval during the annual stockholders' meeting held on September 19, 2013 for the increase in its authorized capital stock to an amount not exceeding Five Billion Pesos (Php5,000,000,000), in order to facilitate any capital raising activities that will be required for the Company's operations and business expansion.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**2014**

Income

Consolidated revenues for the year rose to Php282.60 million from Php268.52 million in 2013, or a growth to 5.24%. This is broken down as follows: Php245.82 million from service income; Php35.48 million from rental income; Php1.23 million from interest income; and Php0.07 million from other income.

Expenses
Cost of services for the year increased by 6.01% from Php142.08 million in 2013 to Php150.60 million in 2014. This is attributable mainly to the increases in equipment rental for the maintenance of the sanitary landfills, manpower training and consumption of chemical sprays.

General and administrative expenses for the year went up by 51.71% to Php34.86 million from Php22.97 million in 2013. This was mainly due to increases in taxes and licenses, retirement cost provisions, professional fees, salaries and allowance for doubtful accounts.

Net Income

The twelve month operation of the Company ended with a net income of Php61.23 million, higher by Php19.38 million or 46.30% than the Php41.85 million reported in 2013. This is largely due to the one-time listing expense of Php25.22 million recognized in 2013.

Financial Condition

| **Statements of financial position data** | **December 31, 2014** | **December 31, 2013** | **% Inc/(Dec)** |
|---|---|---|---|
| Total Current Assets | 443,171,284 | 610,292,719 | (27.38%) |
| Total Assets | 888,549,822 | 1,033,934,372 | (14.06%) |
| Total Current Liabilities | 92,757,391 | 319,895,106 | (71.00%) |
| Total Liabilities | 93,173,867 | 320,070,974 | (70.89%) |
| Total Equity | 795,375,955 | 713,863,398 | 11.42% |

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

The Company's consolidated total assets declined by 14.06% from Php1.03 billion in 2013 to Php888.55 million in 2014.

- Cash and cash equivalents dropped by 39.49% from Php35.24 million in 2013 to Php21.32 million in 2014. The decrease was mainly due to the settlement of long term liabilities.

- Trade and other receivables decreased by 10.01% from Php449 million in 2013 to Php404.20 million in 2014, resulting from account reclassification.

- Other current assets decreased by 30.62% from Php24.40 million in 2013 to Php16.93 million in 2014 due to the provision for impairment on its prepaid taxes, creditable withholding taxes and input VAT.

- Noncurrent assets went up 5.13% from Php423.64 million in 2013 to Php445.38 million in 2014, resulting from account reclassification.

Total consolidated liabilities posted a 70.89% decrease from Php320.07 million in 2013 to Php93.17 million in 2014. The decrease was mainly due to the settlement of the Company's obligations to related parties as well as the full settlement of its bank loan.

Total stockholders' equity rose to 11.42% from Php713.86 million in 2013 to Php795.38 million in 2014.

Current ratio increased from 1.91x in 2013 to 4.78x in 2014 due to the settlement of the Company's short term obligations. Net working capital thus stood at Php350.41 million in 2014, as compared to a negative balance of Php290.40 million in 2013.

Liquidity and Capital Resource

For the year ended December 31, 2014, net cash provided by operations amounted to Php113.13 million as compared to the Php559.77 million net cash used by operations in 2013. This reversal is mainly due to the settlement of obligations to related parties in 2014.

Net cash provided by investing activities amounted to Php51.13 million in 2014 as compared to minus Php4.48 million in 2013, due to the decrease in short-term deposit amounting to Php101.22 million and increase in investment in joint venture amounting to Php48.60 million.

## 2013

Income

Total consolidated income for the year amounted to Php268.52 million, 33.84% higher than the Php200.63 million posted in 2012. This is attributable mainly to the increase in revenues from consultancy and field services as well as from provision of hauling services for the RDF production of affiliate, Mundo Verde Corporation.

Expenses

Cost of services for the year increased by 24.21%, from Php114.39 million in 2012 to Php142.08 million in 2013. Increases in cost were experienced across the board, including manpower, fuel and lubricants, as well as repairs and maintenance, resulting from the overall expansion in the volume of business.

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

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

Net Income

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

Financial Condition

| **Statements of financial position data** | **December 31, 2013** | **December 31, 2012** | **% Inc/(Dec)** |
|---|---|---|---|
| Total Current Assets | 610,292,719 | 483,072,813 | 26.34% |
| Total Assets | 1,033,934.372 | 937,280,926 | 10.31% |
| Total Current Liabilities | 319,895,106 | 791,305,889 | 59.57% |
| Total Liabilities | 320,070,974 | 791,451,505 | 59.56% |
| Total Equity | 713,863,398 | 145,829,421 | 390% |

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

The Company's consolidated total assets rose by10.31% from Php937.28 million in 2012 to Php1.03billion in 2013.

- Cash and cash equivalents declined by 66% from Php103.7 million in 2012to Php35.24 million in 2013. The decrease was mainly due to the settlement of long term liabilities.

- Trade and other receivables went up by 79.94% from Php249.62 million in 2012 to Php449.17 million in 2013. This is mainly attributable to the increase in contract services the company entered into during 2013.

- Other current assets decreased by 18% from Php29.76 million in 2012 to Php24.40 million in 2013 due to the provision for impairment on its prepaid taxes, creditable withholding tax and input VAT.

- Noncurrent assets declined by 6.73% from Php454.21 million in 2012 to Php423.64 million in 2013 due to the annual set-up of depreciation and amortization.

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

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

Current ratio increased from .61x in 2012 to 1.91x in 2013 due to the settlement of the Company's short term obligations. Net working capital thus stood at Php290.40 million in 2013, as compared to a negative balance of Php308.23 million in 2012.

Liquidity and Capital Resource

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

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

**2012**

Income

Consolidated income for 2012 amounted to Php200.63, up 219% from the Php62.97 million posted in 2011. The jump was mostly the result of increased collections of consultancy and field services fees from the operation and maintenance of the Quezon City Sanitary Landfill.

Expenses

Total cost of services went up by Php68.95 million or 152%, from Php45.44 million in 2011 to Php114.39 million in 2012.Increases were posted across all cost items, including labor, materials, utilities, equipment rentals, fuel and oil, repairs and maintenance, licenses and permit and other expenses incurred in the delivery of services.

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

Net Income

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

Financial Condition

| Statements of financial position data | December 31, 2012 | December 31, 2011 | % Inc/(Dec) |
|---|---|---|---|
| Total Current Assets | 483,072,813 | 69,302,215 | 597.05% |
| Total Assets | 937,280,926 | 337,513,257 | 177.70% |
| Total Current Liabilities | 791,305,889 | 314,525,872 | 151.58% |
| Total Liabilities | 791,451,505 | 314,622,928 | 201.62% |
| Total Stockholders' Equity | 145,829,421 | 22,890,329 | 537.08% |

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

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

- Cash and cash equivalents stood by Php103.70 million in 2012 from Php7.85 million in 2011, the healthy cash balance arising from improved revenues and collections.

- Trade and other receivables rose by 402.51% % from Php49.71 million in 2011 to Php249.62 million in 2012, due to the increase in contract services the company entered into during the year.

- Other current assets increased by 153.49% from Php11.74 million in 2011 to Php29.76 million in 2012 due to the increases in input VAT and prepaid taxes.

- Noncurrent assets went up by 69.34% from Php268.21 million in 2011 to Php454.21 million in 2012. The increase is largely attributable to the acquisition of property and equipment.

Total liabilities increased by 151.55%, from Php314.62 million in 2011 to Php791.45 million in 2012, mainly due to increases in payables to related parties, accrued expenses and other current liabilities.

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

Current ratio improved from .22x in 2011 to .61x in 2012 while net working capital in 2012 stood at a negative balance of Php308.23 million as compared to a negative balance of only Php245.22 million in 2011, the deterioration resulting from the substantial acquisition of property and equipment in 2012 using short term funding.

Liquidity and Capital Resource

For the year ended December 31, 2012, net cash provided by operations amounted to Php282 million as compared to Php206.59 million in 2011.The slight increase is attributed to the increase in due related parties of Php294.55 million which exceeded the increase in receivables of Php143.17 million and other current assets of Php19.83 million.

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

Key Performance Indicators

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

| KPI | Calculation | December 31, 2014 | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Current Ratio (1) | Current Assets/Current Liabilities | 4.78x | 1.91x | 0.61x |
| Quick Ratio (2) | Current Assets-Inventory-Prepaid Expenses /Current Liabilities | 4.59x | 1.83x | 0.57x |
| Debt to Equity Ratio (3) | Liabilities/ Stockholders' Equity | 0.12x | 0.45x | 5.43 |
| Book Value per share (4) | Total Assets –Total Liabilities/ Outstanding Shares | 1.15 | 1.03 | 0.77 |
| Net Income per Share (5) | Net Loss/Weighted Average Number of Shares Outstanding | 0.09 | 0.09 | 0.29 |

| | | December 31, 2014 | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| (1) | Current Ratio | 443,171,284/92,757,391 | 610,292,719/319,895,106 | 483,072,813/791,305,889 |
| (2) | Quick Ratio | 426,242,346/92,757,391 | 585,890,672/319,895,106 | 453,315,207/791,305,889 |
| (3) | Debt to Equity | 92,757,391/795,375,955 | 320,070,974/713,863,398 | 791,305,889/145,829,421 |
| (4) | Book Value/Share | 795,375,955/690,000,000 | 713,863,399/690,000,000 | 145,829,421/190,000,000 |
| (5) | Net Income per Share | 61,227,771/690,000,000 | 41,851,637/469,452,055 | 54,197,789/190,000,000 |

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

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

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

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

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

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

## IV. BRIEF DESCRIPTION OF GENERAL NATURE AND SCOPE OF BUSINESS

### OVERVIEW

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

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

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

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

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

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

On December 29, 2009, the Board of Directors approved the private placement of a total of 10.0 million common shares out of the unissued authorized capital stock of the Company at a subscription price of ₱1.00 per share. Of the total issue price of ₱10.0 million, P5.045 million was paid to the Company on December 31, 2009 while the balance was settled in full on February 1, 2010.

On January 29, 2010 and February 1, 2010, the Company's shareholders paid for the outstanding subscriptions receivable amounting to P3,655,000 and P1,300,000, respectively.

On November 20, 2012, the Board of Directors approved the subscription of the IPM group of companies to a total of 500,000,000 shares out of the Php500,000,000 increase in the authorized capital stock of the Company previously approved by the stockholders, at a total subscription price of Php500,000,000, payable in cash. Also, the Board of Directors authorized the acquisition of 615,000,000 shares in Basic Environmental Systems and Technologies, Inc. (BEST) at par value of ₱1 per share, which will constitute 75% of the resulting outstanding capital of BEST. BEST is a corporation engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

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

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

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

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

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

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

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

**BUSINESS DESCRIPTION**

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

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

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

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

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

In April 2002, a Subscription Agreement was signed between the Parent Company and the shareholders of Intercontinental Paper Industries, Inc. (IPII) where the latter will subscribe to the intended increase of authorized capital stock of 500,000,000 common shares and to the 60,000,000 million common shares from the unissued authorized capital stock of the Parent Company at Php1.00 par value. The new Subscribers will pay for the additional shares with 560,000.000 common shares (“IPII Shares”) with par value of Php1.00 per share. The IPII Shares represent 100% of the outstanding capital common stock of IPII. After the issuance by the Parent Company of the additional shares to the New Subscribers and the transfer of the New Subscribers’ IPII shares to the Parent Company, the paper manufacturing company shall be owned 100% by the Company. In April 2007, the Subscription Agreement with Shareholders of Intercontinental Paper Industries Inc. (IPPI) was been rescinded.

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

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

**INDUSTRY TRENDS/COMPETITION**

BEST is one of the few players in the solid waste management contracting industry which owns and operates its own sanitary landfill facility, having established the Morong Sanitary Landfill in 2008 to cater to the waste disposal needs of the cluster towns of Morong, Teresa, Baras and Cardona. In addition, it maintains under contract with its affiliate, IPM Environmental Services, Inc. (IPMESI), the latter's Quezon City Sanitary Landfill in Payatas which receives the solid waste of Quezon City. Moreover, it has a large fleet of dump trucks and other hauling/materials handling equipment that it uses for its waste collection and management contracts.

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

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

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

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

SOURCES OF RAW MATERIALS AND NAMES OF PRINCIPAL SUPPLIERS

Not Applicable.

DEPENDENCE ON SINGLE CUSTOMER

Not Applicable.

TRANSACTION WITH AND/OR DEPENDENCE ON RELATED PARTIES

Except as disclosed in Note 15 of the audited consolidated financial statements for 2014 and 2013, there were no other transactions entered into with related parties.

PATENTS, TRADEMARKS, ETC.

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

GOVERNMENT APPROVALS AND REGULATION

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

RESEARCH AND DEVELOPMENT

Not Applicable.

ENVIRONMENTAL LAWS

Not Applicable.

HUMAN RESOURCES

The Company has 34 employees as of December 31, 2014 of whom 4 are clerical, 5 are administrative, 21 are operations, one managerial and three executive. The employees were not subject to any Collective Bargaining Agreement (CBA).

## V. MARKET PRICE OF AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY

(1) MARKET INFORMATION

The shares of the Company are listed and traded in the Philippine Stock Exchange. The high and low closing prices of the Company's shares for each quarter within the last two (2) years and the first quarter of 2015 are as follows:

| Year | Quarter | High (in Php) | Low (in Php) |
|---|---|---|---|
| **2013** | First | 7.65 | 5.95 |
| | Second | 6.70 | 5.00 |
| | Third | 6.18 | 5.20 |
| | Fourth | 5.35 | 4.80 |
| **2014** | First | 5.25 | 5.00 |
| | Second | 5.20 | 5.03 |
| | Third | 5.20 | 5.57 |
| | Fourth | 6.55 | 5.20 |
| 2015 | First | 5.50 | 4.90 |

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

| Year | Month/Date | Closing Price (in Php) |
|---|---|---|
| 2015 | January 30 | 5.20 |
| | February 27 | 5.20 |
| | March 31 | 5.20 |

(2) HOLDERS

The Company has only common stock, with P1.00 par value. As of March 31, 2015, the number of common shares issued and outstanding was 690.0 million shares, held by a total of 121 stockholders. The top twenty (20) stockholders of the Company as of March 31, 2015 were as follows:

| Name | No. of Shares | Percentage to Total |
|---|---|---|
| 1. IPM Construction and Development Corporation | 350,000,000 | 50.725% |
| 2. PCD Nominee Corporation (Filipino) | 199,714,274 | 28.944% |
| 3. IPM Environmental Services, Inc. | 65,000,000 | 9.420% |
| 4. IPM Realty and Development Corporation | 50,000,000 | 7.246% |
| 5. PCD Nominee Corporation (Filipino) | 7,778,700 | 1.127% |
| 6. Jewelle Y. Lao | 7,168,997 | 1.039% |
| 7. William Dee Ty | 2,000,000 | 0.290% |
| 8. Gener T. Mendoza | 1,855,000 | 0.269% |
| 9. Jocelyn Y. Lao | 1,800,000 | 0.261% |
| 10. David L. Kho | 1,790,000 | 0.259% |
| 11. Isabelita P. Mercado | 1,000,000 | 0.145% |
| 12. David L. Kho ITF Justine Dale Kho | 423,000 | 0.061% |
| 13. Candice Choa Cocuao | 200,000 | 0.029% |
| 14. David L. Kho ITF Justine Dale Y. Kho | 162,000 | 0.023% |
| 15. Joseph Y. Lao | 100,000 | 0.014% |
| S.J. Roxas & Co., Inc. | 100,000 | 0.014% |
| 16. Violeta L. Lim | 74,000 | 0.011% |
| 17. Ma. Teresita T. De Leon | 61,000 | 0.009% |
| Hanson G. So &/or Larcy Marichi Y. So | 61,000 | 0.009% |
| 18. Pei Zhi Lin | 60,000 | 0.009% |
| 19. PCCI Securities Brokers Corporation | 50,000 | 0.007% |
| 20. Romeo G. Sese | 37,000 | 0.005% |
| **TOTAL** | **689,434,971** | **99.918%** |

(3) DIVIDENDS

No dividends, either in cash or stock, were declared on the shares for the last four (4) years, i.e., 2014, 2013 and 2012. There are no restrictions that limit the ability to pay dividends on common equity but the Company, as a general rule, shall only declare from surplus profit as determined by the Board of Directors so long as such declaration will not impair the capital of the Company.

(4) RECENT SALES OF UNREGISTERED SECURITIES

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

## VI. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

**Board of Directors**

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

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

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

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

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

**Board Process**

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

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

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

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

**Committees**

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

**Audit Committee**
Members:

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

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

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

**Nomination Committee and Compensation Committee**
Members:

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

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

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

**Compliance Officer**

During the meeting of the Board of Directors of Minerales Industrias Corporation held on July 9, 2014, Atty. Ana Maria A. Katigbak was re-appointed as Compliance Officer ("CO") and Mr. Roberto E. Cabarco as Deputy Corporate Information Officer. He was also designated as the Company's Compliance Officer.

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

**Relation with Shareholders**

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

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

## VI. EXTERNAL AUDIT FEES

1. Audit and Audit-Related Fees

MIC paid its auditors the following fees for the last two (2) years for professional services rendered, exclusive of VAT and out of pocket expenses:

| Year | Audit Fees | Tax Fees | All Other Fees |
|---|---|---|---|
| 2014 | Php 121,000.00 | - | - |
| 2013 | 450,000.00 | - | - |

2. Other assurance and related services by the external auditor that are reasonable related to the performance of the audit review of the Company's financial statements – **NONE**

3. Tax Fees – **NONE**

4. All other fees – **NONE**

5. The Audit Committee has checked all financial reports against their compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. They reviewed all audit plans, scope, resources and budget necessary to implement it. The financial statement was then presented to and approved by the Audit Committee and Board of Directors. Payments and fees related to the services by the external auditor were discussed and approved by the Audit Committee.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA ) S.S.

**AFFIDAVIT OF UNDERTAKING**

KNOW ALL MEN BY THESE PRESENTS:

I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino citizen, with office address at the 3rd Floor, The Valero Tower, 122 Valero St., Salcedo Village, Makati City, under oath, hereby depose and state that:

1. I am the Corporate Secretary of **MINERALES INDUSTRIAS CORPORATION** (the "Company"), a corporation duly organized in accordance with Philippine law, with principal office at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City;

2. I hereby undertake on behalf of the Company to submit to Securities and Exchange Commission (the "SEC") the Company's 2015 1st Quarter Report and upload the same to the Company's website once it becomes available. A copy will also be distributed to the stockholders during the Annual Stockholders' Meeting on May 27, 2015;

3. I am executing this Affidavit to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

IN WITNESS WHEREOF, this Affidavit has been signed this day of APR 2 9 2015.

akatigbak
**ANA MARIA A. KATIGBAK**
*Affiant*

**SUBSCRIBED AND SWORN TO BEFORE ME**, a Notary Public for and in the City of Makati, Philippines, this APR 2 9 2015, by the affiant, whose identity I have confirmed through her Passport No. EB6978724, issued on December 20, 2012 at DFA-Manila bearing the affiant's photograph and signature, and who showed to me her Community Tax Certificate No. 02259075 issued at Makati City, on February 4, 2015.

Doc. No. 454;
Page No. 92;
Book No. III;
Series of 2015.

RICKY A. SABORNAY
NOTARY PUBLIC
ROLL NO. 62434
MAKATI CITY, PHILIPPINES

**RICKY A. SABORNAY**
**Appointment No. M-286**
**Notary Public for Makati City**
**Until December 31, 2016**
**Castillo Laman Tan Pantaleon**
**& San Jose Law Firm**
**The Valero Tower, 122 Valero Street**
**Salcedo Village, Makati City**
**PTR No. 4748044;01-05-2015;Makati City**
**IBP No. 977668;01-05-2015;Quezon City Chapter**
**Roll No. 62434**

# CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WILLIAM D. TY**, Filipino, of legal age, with office address at 1903 SB Skyland Plaza Condominium, Buendia, Makati after having been duly sworn in accordance with law, hereby depose and state that:

1. I am an independent director of **MINERALES INDUSTRIAS CORPORATION** (the "Corporation");

2. I am affiliated with the following companies or organizations:

| *Company/Organization* | *Position/Relationship* | *Period of Service* |
|---|---|---|
| WAM Realty & Development Corporation | Chairman & President | 1986 to present |
| WAM Food & Development Corporation | Chairman & President | 1978 to present |
| Welling Investment Manufacturing Corporation | Board Member | 2000 to present |
| Toyota Cubao, Inc. | Chairman & President | 1999 to present |
| Organizational Change Consultants Int'l. Inc. | Director | 1995 to present |
| Alicia Tan Ty Foundation | Director | 1994 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of MARC as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and other applicable laws and issuances.

5. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

SIGNED JUL 2 1 2014 day of July 2014 at Makati City.

WILLIAM D. TY
Affiant

**SUBSCRIBED AND SWORN** to before me this JUL 2 1 2014, at Makati City, affiant exhibited to me his Tax Identification Number 109-893-370 issued by the Bureau of Internal Revenue.

Doc. No. 96
Page No. 20
Book No. VI
Series of 2014.

MARY MELANIE H. QUIÑO
NOTARY PUBLIC
UNTIL DEC. 31, 2014
PTR NO. [illegible] 1/2/14
IBP LIFETIME NO. 07535
ROLL NO. [illegible]
MCLE COMPLIANCE NO. IV 000796

# CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALFREDO P. JAVELLANA II**, Filipino, of legal age, and a resident of No. 230 Anahaw St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

(1) I am an independent director of Minerales Industrias Corporation (the "Corporation").

(2) I am affiliated with the following companies or organizations:

| *Company/ Organization* | *Position / Relationship* | *Period of Service* |
|---|---|---|
| UBS Securities Philippines, Inc. | Independent Director | 2009 to present |
| | | |
| | | |

(3) I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code and its Implementing Rules and Regulations.

(4) I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and other applicable laws and issuances.

(5) I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

**SIGNED** this JUL 1 1 2014 at Makati City.

**ALFREDO P. JAVELLANA II**
Affiant

**SUBSCRIBED AND SWORN** to before me this JUL 1 1 2014 at Makati City, affiant exhibited to me his Driver's License No. N11-68-002984, expiring on March 5, 2015 issued by the Department of Transportation and Communications in Quezon City.

Doc. No. 03;
Page No. 01;
Book No. VI;
Series of 2014.

MARY MELANIE H. QUIÑO
NOTARY PUBLIC
UNTIL DEC. 31, 2014
PTR NO. 1937563 1/2/14
IBP LIFETIME NO. 07535
ROLL NO. 53916
MCLE COMPLIANCE NO. IV 000798

REPUBLIC OF THE PHILIPPINES )
MAKATI CITY ) S.S.

## SECRETARY'S CERTIFICATE

I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino, with office address at the 3rd Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, after having been duly sworn to in accordance with law, do hereby depose and state that:

1. I am the duly elected and qualified Corporate Secretary of **MINERALES INDUSTRIAS CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office address at Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City

2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency.

IN WITNESS WHEREOF, this Certificate was signed and issued this APR 2 8 2015 day of April 2015. at Makati City, Philippines.

**ANA MARIA A. KATIGBAK**
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 2 8 2015 at Makati City by affiant whose identity I have confirmed through her Drivers License No. N02-89-111447 expires on March 21, 2016, bearing the affiant's photograph and signature, and who showed to me her Community Tax Certificate No. 04922825 issued at Makati City on February 4, 2015.

Doc. No. 261 ;
Page No. 54 ;
Book No. 1 ;
Series of 2015.

ERIC BENJAMIN D. LAVADIA
NOTARY PUBLIC
ROLL NO. 63781
MAKATI CITY, PHILIPPINES

**ERIC BENJAMIN D. LAVADIA**
Appointment No. M-243
Notary Public for Makati City
Until December 31, 2016
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 4748059; 01-05-2015; Makati City
IBP No. 012718; Lifetime; Makati City Chapter
Roll No. 63781

## MINERALES INDUSTRIAS CORPORATION

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS

The management of **Minerales Industrias Corporation and Subsidiary (the "Group")** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, 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 financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signed under oath by the following:

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

**FRANCIS NEIL P. MERCADO**
Treasurer/Chief Financial Officer

Signed this 31st day of March, 2015

**SUBSCRIBED AND SWORN** to before me this APR 1 5 2015, affiants exhibiting to me their Residence Certificates, as follows:

| Name | CTC No. | Date of Issue | Place of Issue |
|---|---|---|---|
| Isabelita P. Mercado | 34523164 | Jan. 7, 2015 | Pasig City |
| Francis Neil P. Mercado | 34523159 | Jan. 7, 2015 | Pasig City |

Doc No. 483
Page No. 97
Book No. V
Series of 2015

MARY MELANIE H. QUINO
NOTARY PUBLIC
UNTIL DEC. 31, 2015
PTR [illegible] 1/5/2015
IBP LIFETIME NO. 07535
ROLL NO. 53915
MCLE COMP. NO. IV-0007994

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Minerales Industrias Corporation and Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minerales Industrias Corporation and Subsidiary as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

***Other Matter***

The consolidated financial statements of the Group as at and for the year ended December 31, 2012 were not audited.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751262, January 5, 2015, Makati City

March 31, 2015

## MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | | January 1 |
|---|---|---|---|
| | **2014** | 2013 (As adjusted) | 2013 (Unaudited) |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents (Notes 4 and 22) | **₱21,321,523** | ₱35,236,582 | ₱103,697,115 |
| Receivables (Notes 5 and 22) | **404,204,661** | 449,167,263 | 249,618,092 |
| Due from a related party (Notes 15 and 22) | **716,162** | 266,960 | – |
| Short-term deposits (Notes 6, 13 and 22) | – | 101,219,867 | 100,000,000 |
| Other current assets (Note 7) | **16,928,938** | 24,402,047 | 29,757,606 |
| Total Current Assets | **443,171,284** | 610,292,719 | 483,072,813 |
| **Noncurrent Assets** | | | |
| Receivables - net current portion (Notes 5 and 22) | **37,584,527** | 44,001,029 | 68,349,235 |
| Deferred tax asset (Note 19) | **625,259** | – | – |
| Investments in an associate and a joint venture (Note 8) | **91,201,135** | 44,443,136 | 44,666,776 |
| Deposits (Note 9) | **3,155,365** | 3,155,365 | 1,455,365 |
| Investment property (Note 10) | **36,316,876** | 37,434,319 | – |
| Property and equipment (Note 11) | **276,495,376** | 294,607,804 | 339,736,737 |
| Total Noncurrent Assets | **445,378,538** | 423,641,653 | 454,208,113 |
| Total Assets | **₱888,549,822** | ₱1,033,934,372 | ₱937,280,926 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables (Notes 12 and 22) | **₱82,476,818** | ₱111,403,914 | ₱139,316,695 |
| Due to related parties (Notes 15 and 22) | **5,038,694** | 102,521,802 | 530,453,974 |
| Income tax payable | **5,241,879** | 5,969,390 | 21,535,220 |
| Loans payable (Notes 13 and 22) | – | 100,000,000 | 100,000,000 |
| Total Current Liabilities | **92,757,391** | 319,895,106 | 791,305,889 |
| **Noncurrent Liability** | | | |
| Net pension liability (Note 18) | **416,476** | 175,868 | 145,616 |
| Total Liabilities | **93,173,867** | 320,070,974 | 791,451,505 |
| **Equity Attributable to Equity Holders of the Parent** | | | |
| Capital stock (Note 14) | **690,000,000** | 690,000,000 | 190,000,000 |
| Retained earnings (Note 14) | | | |
| Unappropriated | **114,116,843** | 69,111,315 | 61,034,899 |
| Appropriated | **14,803,219** | 14,803,219 | 14,803,219 |
| Other reserves (Notes 1 and 18) | **(298,720,451)** | (298,746,540) | (120,008,697) |
| | **520,199,611** | 475,167,994 | 145,829,421 |
| **Noncontrolling Interests** | **275,176,344** | 238,695,404 | – |
| Total Equity | **795,375,955** | 713,863,398 | 145,829,421 |
| Total Liabilities and Equity | **₱888,549,822** | ₱1,033,934,372 | ₱937,280,926 |

*See accompanying Notes to Consolidated Financial Statements.*

## MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 (As adjusted, Note 21) | 2012 (As adjusted, Note 21) |
| **REVENUE AND OTHER INCOME** | | | |
| Service income (Note 15) | **₱245,818,974** | ₱237,282,897 | ₱196,642,460 |
| Rental income (Notes 10, 15 and 21) | **35,475,243** | 29,532,186 | – |
| Interest income (Notes 4 and 6) | **1,233,569** | 1,704,827 | 15,226 |
| Equity in net earnings of an associate and a joint venture (Note 8) | **–** | – | 3,976,624 |
| Other income | **72,598** | – | – |
| | **282,600,384** | 268,519,910 | 200,634,310 |
| **EXPENSES** | | | |
| Cost of services (Note 16) | **150,614,747** | 142,082,357 | 114,391,977 |
| General and administrative expenses (Note 17) | **34,855,223** | 22,974,426 | 10,506,279 |
| Interest expense (Notes 11 and 13) | **944,656** | 4,211,535 | – |
| Equity in net losses of an associate and a joint venture (Note 8) | **1,842,001** | 223,640 | – |
| Listing expense (Note 1) | **–** | 25,221,570 | – |
| | **188,256,627** | 194,713,528 | 124,898,256 |
| **INCOME BEFORE INCOME TAX** | **94,343,757** | 73,806,382 | 75,736,054 |
| **PROVISION FOR INCOME TAX** (Note 19) | **33,115,986** | 31,954,745 | 21,538,265 |
| **NET INCOME** | **61,227,771** | 41,851,637 | 54,197,789 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items not to be reclassified to profit or loss:* | | | |
| Actuarial losses on defined benefit obligation (Note 18) | **34,786** | (319,269) | (8,697) |
| **TOTAL COMPREHENSIVE INCOME** | **₱61,262,557** | ₱41,532,368 | ₱54,189,092 |
| Net income attributable to: | | | |
| Equity holders of the parent | **₱45,005,528** | ₱23,295,787 | ₱54,197,789 |
| Noncontrolling interest | **16,222,243** | 18,555,850 | – |
| | **₱61,227,771** | ₱41,851,637 | ₱54,197,789 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent | **₱45,031,618** | ₱23,056,336 | ₱54,189,092 |
| Noncontrolling interest | **16,230,939** | 18,476,032 | – |
| | **₱61,262,557** | ₱41,532,368 | ₱54,189,092 |
| **BASIC/DILUTED EARNINGS PER SHARE** (Note 20) | **₱0.09** | ₱0.09 | ₱0.29 |

*See accompanying Notes to Consolidated Financial Statements.*

## MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | | | Other Reserves | | | |
|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 14) | Retained Earnings - Unappropriated (Note 14) | Retained Earnings - Appropriated (Note 14) | Equity Reserve | Actuarial Losses on Defined Benefit Obligation (Note 18) | Noncontrolling Interests | Total Equity |
| At January 1, 2014 | **₱690,000,000** | **₱69,111,315** | **₱14,803,219** | **(₱298,498,391)** | **(₱248,149)** | **₱238,695,404** | **₱713,863,398** |
| Net income | – | **45,005,528** | – | – | – | **16,222,243** | **61,227,771** |
| Other comprehensive income | – | – | – | – | **26,089** | **8,697** | **34,786** |
| Additional investment of NCI (Note 14) | – | – | – | – | – | **20,250,000** | **20,250,000** |
| At December 31, 2014 | **₱690,000,000** | **₱114,116,843** | **₱14,803,219** | **(₱298,498,391)** | **(₱222,060)** | **₱275,176,344** | **₱795,375,955** |
| | | | | | | | |
| At January 1, 2013 | ₱190,000,000 | ₱61,034,899 | ₱14,803,219 | (₱120,000,000) | (₱8,697) | ₱– | ₱145,829,421 |
| Net income | – | 23,295,787 | – | – | – | 18,555,850 | 41,851,637 |
| Other comprehensive loss | – | – | – | – | (239,452) | (79,817) | (319,269) |
| Issuance of shares | 500,000,000 | – | – | – | – | – | 500,000,000 |
| Effect of reverse acquisition (Note 1) | – | (15,219,371) | – | (178,498,391) | – | 220,219,371 | 26,501,609 |
| At December 31, 2013 | ₱690,000,000 | ₱69,111,315 | ₱14,803,219 | (₱298,498,391) | (₱248,149) | ₱238,695,404 | ₱713,863,398 |

*See accompanying Notes to Consolidated Financial Statements.*

## MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱94,343,757** | ₱73,806,382 | ₱75,736,054 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 10, 11, 16 and 17) | **20,716,831** | 7,721,400 | 17,969,027 |
| Listing expense (Note 1) | – | 25,221,570 | – |
| Interest expense (Note 13) | **944,656** | 4,211,535 | – |
| Provision for impairment losses (Notes 7 and 17) | **216,180** | 308,371 | – |
| Equity in net losses (earnings) of an associate and a joint venture (Note 6) | **1,842,001** | 223,640 | (3,976,624) |
| Pension cost (Note 18) | **290,302** | 52,912 | 39,863 |
| Interest income (Notes 4 and 6) | **(1,233,569)** | (1,704,827) | (15,226) |
| Operating income before changes in working capital | **117,120,158** | 109,840,983 | 89,753,094 |
| Decrease (increase) in: | | | |
| Receivables | **51,315,786** | (172,388,465) | (143,173,961) |
| Due from a related party | **(449,202)** | (266,960) | – |
| Other current assets | **7,256,930** | 5,047,188 | (19,830,714) |
| Increase (decrease) in: | | | |
| Trade and other payables | **(28,626,222)** | (27,912,781) | 62,643,506 |
| Due to related parties | – | (427,932,172) | 294,546,585 |
| Net cash generated from (used in) operations | **146,617,450** | (513,612,207) | 283,938,510 |
| Interest received | **1,233,569** | 1,704,827 | 15,226 |
| Income tax paid | **(34,721,223)** | (47,520,575) | (1,948,339) |
| Contributions to plan assets (Note 18) | – | (341,929) | – |
| Net cash provided by (used in) operating activities | **113,129,796** | (559,769,884) | 282,005,397 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Cash acquired from business combination | – | 1,280,039 | – |
| Acquisitions of property and equipment (Note 11) | **(1,486,958)** | (26,786) | (255,602,730) |
| Decrease in short-term deposit (Note 6) | **101,219,867** | (1,219,867) | (100,000,000) |
| Increase in deposits (Note 9) | – | (1,700,000) | (110,000) |
| Investment in joint venture (Note 8) | **(48,600,000)** | (2,812,500) | – |
| Dividends received (Note 8) | – | – | 800,000 |
| Net cash provided by (used in) investing activities | **51,132,909** | (4,479,114) | (354,912,730) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | | |
| Proceeds from issuance of shares of stock (Note 14) | **20,250,000** | 500,000,000 | 68,750,000 |
| Increase (decrease) in amounts due to a related party | **(97,483,108)** | – | – |
| Interest paid | **(944,656)** | (4,211,535) | – |
| Proceeds/payment from bank loan (Note 13) | **(100,000,000)** | – | 100,000,000 |
| Net cash provided by (used by) financing activities | **(178,177,764)** | 495,788,465 | 168,750,000 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(13,915,059)** | (68,460,533) | 95,842,667 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **35,236,582** | 103,697,115 | 7,854,448 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 4) | **₱21,321,523** | ₱35,236,582 | ₱103,697,115 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. Corporate Information

Minerales Industrias Corporation (the Parent Company) and its subsidiary, Basic Environmental Sytems and Technologies, Inc. (BEST) (collectively referred to as “the Group”), were incorporated in the Philippines. The Group’s registered office address is Unit 103 G/F, Prestige Tower Condominium, F. Ortigas Jr. Avenue, Ortigas Center, Pasig City.

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

BEST is incorporated in the Philippines on September 15, 1999 and is engaged in contracting and consulting business for waste management, public cleansing, sanitation and general hygiene to provide comprehensive waste disposal services.

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

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

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

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

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

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75% interest and paid ₱462,500,000, ₱12,500,000 of which was paid to the original shareholders of BEST as consideration to the subscription rights acquired. Subscription payable as of December 31, 2013 amounted to ₱152,500,000.

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

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

On February 10, 2014, the BOD approved the payment to BEST of ₱22,875,000 representing 15% of the remaining subscription payable. Subscription payable as of December 31, 2014 amounted to ₱129,625,000.

The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE) under the ticker "MIC". As of December 31, 2014, the top four beneficial shareholders of the Parent Company are the following:

| | Percentage of ownership |
|---|---:|
| IPMCDC | 51% |
| IPMESI | 10% |
| IPMRDC | 7% |
| Public | 32% |

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

The accompanying consolidated financial statements were authorized for issue by the BOD, as endorsed by the Audit Committee, on March 31, 2015.

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

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

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

In 2013, listing expense is recognized in profit or loss and equity reserve at the date of acquisition. Computation of listing expense follows:

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

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying consolidated financial statements have been prepared using the historical cost basis. These financial statements are presented in Philippine Peso (₱), the Group's functional currency. All amounts are rounded to the nearest Philippines Peso unless otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The accompanying consolidated financial statements prepared following a reverse acquisition are issued under the name of the Parent Company (legal parent/accounting acquiree) but is a continuation of the financial statements of BEST (legal subsidiary/accounting acquirer). The accompanying consolidated financial statements comprise the financial statements of the Parent Company and BEST.

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

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

Noncontrolling interest (NCI) represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position and consolidated statements of changes in equity.

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

*Assessment of Control*
Control is achieved when the accounting acquirer is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

As of December 31, 2014 and 2013, NCI pertains to the 25% ownership of individuals and companies other than the Parent Company of BEST. The financial information of BEST, with material NCI, is provided below:

| | **2014** | 2013 |
|---|---:|---:|
| Current assets | **₱437,934,417** | ₱578,047,696 |
| Noncurrent assets | **445,378,538** | 423,641,653 |
| Total assets | **₱883,312,955** | ₱1,001,689,349 |
| Current liabilities | **₱92,541,570** | ₱319,207,330 |
| Noncurrent liabilities | **416,476** | 175,868 |
| Total liabilities | **₱92,958,046** | ₱319,383,198 |
| Revenue | **₱282,469,418** | ₱268,074,166 |
| Total comprehensive income | **64,923,758** | 73,936,867 |

There are no significant restrictions on the Group's ability to use assets or settle liabilities within the Group. There is no difference on the voting rights of non-controlling interests as compared to majority stockholders.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment did not have an impact to the Company financial statements since the Company and its subsidiary would not qualify as an investment entities.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments did not have any impact on the Group's financial position or performance since it does not offset its financial instruments.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014. The recoverable amounts of the Group's non-financial assets for which impairment losses were recognized are presented in Note 7.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The amendments did not have any impact on the Group's financial position or performance since it has no derivative and hedging instruments.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The interpretation will not have any impact on the Group's consolidated financial statements as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

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

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment did not have an impact on the Group's financial position or performance since the Group's policy is already consistent with the amendment.

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

<u>Future Change in Accounting Policies</u>
The Group will adopt the following new and amended standards and interpretations enumerated below when these becomes effective.

*Effective in 2015*

- PAS 19, *Employee Benefits- Defined Benefit Plans: Employee Contributions*
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. This amendment will not be relevant to the Group since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

*Annual Improvements to PFRSs (2010 - 2012 cycle)*
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- Amendment to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only on the judgment made by management in aggregating operating segments and have no impact on the Group's financial position or performance.

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance since the Group does not carry its property and equipment at revalued amount.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual

periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will not have an impact on the Group's financial position or performance since the Group's related party disclosures are already consistent with the amendments.

- Amendment to PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance since the Group has no intangible assets.

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's consolidated financial statements since there is no entity in the Group that is considered as a joint arrangement.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Group's financial position or performance since the Group's accounting policy is already consistent with the improvement.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Group shall consider this amendment for future acquisition of investment property.

*Effective in 2016*

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact to the Group given that the Group has no intangible asset and has not used a revenue-based method to depreciate its property and equipment.

- PAS 16, *Property, Plant and Equipment,* and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 and is measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact to the Group since the Group is not involved in any agricultural activities.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have an impact on the Group's consolidated financial statements since the Group is already using equity accounting. The Group is currently assessing the impact of these amendments in the separate financial statements of each entities in the Group.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are

effective from annual periods beginning on or after January 1, 2016. These amendments will not have an impact on the Group's consolidated financial statements since the Group is not involved in any sale or contribution of assets with its associate or joint venture.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider this amendment for future acquisition of interest in joint operations.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment will not have an impact on the Group's consolidated financial statements since the Group is an existing PFRS preparer and has no activities subject to rate regulation.

*Annual Improvements to PFRSs (2012-2014 cycle)*
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment will not have an impact on the Group's consolidated financial statements since the Group does not have noncurrent assets held for sale nor any discontinued operations.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in

order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. The amendment will not have an impact on the Group's consolidated financial statement since the Group is not a party to any servicing contracts pertaining to continuous involvement on derecognized asset.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendment does not apply to the Group's consolidated financial statements since the Group does not offset its financial instruments.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments will not have an impact on the Group's consolidated financial statements since the Group's policy is already consistent with the amendment.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments will not have an impact on the Group's consolidated financial statements since the Group already presents the required interim disclosures in its interim financial statements.

*Effective in 2018*

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the

criteria for using the FVO. The adoption of the first phase of PFRS 9 will not have an impact on the Group's consolidated financial statements since the Group has no debt or equity instruments at FVPL, AFS financial assets and HTM investments.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA.

  The amendments will not have an impact on the Group's consolidated financial statements since the Group is not involved in any hedging transactions.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of the final version of PFRS 9 will not have an impact on the Group's consolidated financial statements since the Group has no debt or equity instruments at FVPL, AFS financial assets and HTM investments. In addition, the Group is not involved in any hedging transactions.

*No effective date yet*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion,

except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation will not have an impact on the consolidated financial statements of the Group since it is not involved in the construction of real estate.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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

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

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

As of December 31, 2014 and 2013, the Group has no financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

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

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

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

This accounting policy relates to the consolidated statement of financial position captions “Cash and cash equivalents”, “Receivables”, “Short-term deposits” and “Due from a related party”.

*Other financial liabilities*
Other financial liabilities pertain to issued financial instruments that are not classified or designated as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Group’s “Trade and other payables”, “Due to related parties”, “Loans payable” and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include

indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

*Financial asset*

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

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

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

*Financial liability*

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

Offsetting of Financial Instruments

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

Fair Value

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

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

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

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

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

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

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

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

*Nonfinancial asset*
Fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

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

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

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

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

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

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

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

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

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

Investment Property

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

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

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

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

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

Property and Equipment

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

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

| | Years |
|---|---|
| Condominium units and improvements | 35 |
| Development costs | 5 to 15 |
| Transportation and heavy equipment | 5 to 10 |
| Office furniture and fixtures | 2 to 5 |

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

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

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

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

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

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

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

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

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

*Service income*
Service income is recognized when services are rendered.

*Rental income*
The Group leases out office spaces and transportation and heavy equipment under cancellable operating leases. Rental income arising from investment property and transportation and heavy equipment is recognized as revenue in profit or loss based on the terms of the operating leases.

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

Costs and Expenses
Cost and expenses, are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in Group's equity, other than those relating to distributions to stockholders.

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

*General and administrative expenses*
General and administrative are recognized in profit or loss in the period these are incurred.

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

(a) there is a change in the contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal and extension was initially included in the lease term;
(c) there is a change in the determination of whether the fulfilment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

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

*Group as a lessor*
Lease of assets under which the Group effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an income in profit or loss based on the terms of the operating leases.

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

Defined retirement costs comprise the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Value-added tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

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

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

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income includes actuarial gains and losses on defined benefit obligation. Other comprehensive income that will be reclassified subsequently to profit or loss is presented separately from other comprehensive income that will not be reclassified to profit or loss in the future.

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

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

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

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

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

## 3. Significant Accounting Judgments and Estimates

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

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

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

*Assessment of control*
The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. Control is presumed to exist if the parent owns, directly or indirectly, more than half of the voting power of an entity unless, in an exceptional circumstances it can be clearly demonstrated that such ownership does not constitute control. Control is

achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies.

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

As of December 31, 2014 and 2013, BEST holds 60% interest in Ecoedge Resources Corporation (ERC). Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and Lafarge Industrial Ecology International, S.A (LIEI), which is supported by the contractual agreement of the parties to the following:

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

*Assessment of significant influence*
The Group classifies its investee companies as an associate if the Group has significant influence in the investee company. Significant influence is presumed to exist if the Group has a holding of 20% or more of the voting power of the investee. Holding of less than 20% of the voting power is presumed not to give rise to significant influence, unless it can be clearly demonstrated that there is in fact significant influence.

As of December 31, 2014 and 2013, the Group holds 16% interest in Metro Clark Waste Management Corporation (MCWM). The Group exercise significant influence in MCWM due to the presence of BEST's President in the Board of MCWM. The President of BEST, hence, effectively has a participation in the policy-making processes of MCWM.

*Distinction between investment properties and owner occupied properties*
The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity or for capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the supply of services or for administrative purposes.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions cannot be sold separately as of the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancilliary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The disclosures on the Group's investment property and property and equipment are presented in Notes 10 and 11, respectively.

*Operating lease - Group as lessor*
The Group has entered into various commercial property leases on its investment property and transportation and heavy equipment. The Group has determined that it retains all the significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contracts are accounted for as cancellable operating leases. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including economic consequence to the lessee.

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

*Allowance for impairment loss on receivable*
The Group maintains allowance for impairment loss on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for impairment loss on receivables would increase the Group's recorded expenses and decrease current assets. As of December 31, 2014 and 2013, the Group recognized allowance for impairment totaling ₱2,733,892 and ₱1,066,172, respectively. The carrying values of receivables are disclosed in Note 5.

*Estimated useful lives of investment property and property and equipment*
The useful life of each of the Group's investment property and property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each item of investment property and property and equipment is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any investment property and property and equipment would increase the recorded general and administrative expenses and decrease noncurrent assets. Based on the management estimates, there is no need to update the estimated useful lives of investment property and property and equipment in 2014 and 2013. The carrying values of investment property and property and equipment amounted to ₱36.3 million and ₱276.5 million, respectively.

*Impairment of non-financial assets*
The Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results

and significant negative industry or economic trends. The Group recognizes an impairment loss if such indications are present and whenever the carrying amount of an asset exceeds its recoverable amount.

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

As of December 31, 2014 and 2013, the Group did not recognize any impairment loss on its nonfinancial assets. The carrying values of investments in an associate and a joint venture, investment property, and property and equipment amounted to ₱91.2 million, ₱36.3 million and ₱276.5 million, respectively (see Notes 8, 10 and 11).

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

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

Net pension liability amounted to ₱416,476 as of December 31, 2014. Further details about the assumptions used are provided in Note 18.

*Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models such as discounted cash flow technique. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Please refer to Note 22 for the related balances.

*Recoverability of deferred tax assets*
The Group's assessment on the recognition of deferred tax assets on non-deductible temporary differences and carry forward benefit of NOLCO is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. The amount of unrecognized deferred tax assets amounted to ₱3.98 million and ₱3.46 million as of December 31, 2014 and 2013, respectively.

In 2014, the Group recognized previously unrecognized deferred tax assets amounting to ₱52,760 since the management believes that sufficient future taxable income will be available against which the deductible temporary differences can be utilized.

## 4. Cash and Cash Equivalents

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Cash on hand | **₱65,000** | ₱60,184 |
| Cash in banks | **21,256,523** | 5,115,690 |
| Cash equivalents | **–** | 30,060,708 |
| | **₱21,321,523** | ₱35,236,582 |

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

Interest earned on cash and cash equivalents amounted to ₱73,694, ₱179,993 and ₱15,226 in 2014, 2013 and 2012, respectively.

## 5. Receivables

This account consists of:

| | **2014** | 2013 (As adjusted, Note 21) |
|---|---|---|
| Trade receivables | | |
| Related parties (Note 15) | **₱384,426,849** | ₱465,952,429 |
| Local government units (LGUs) | **19,588,005** | 18,712,849 |
| Private entities | **7,387,673** | 5,660,037 |
| | **411,402,527** | 490,325,315 |
| Loans receivable (Note 15) | **31,000,000** | – |
| Advances to officers and employees | **662,345** | 189,178 |
| Interest receivable (Note 15) | **308,260** | – |
| Advances to suppliers | **83,776** | 2,653,799 |
| Others | **1,066,172** | 1,066,172 |
| | **444,523,080** | 494,234,464 |
| Less allowance for impairment losses | **2,733,892** | 1,066,172 |
| | **441,789,188** | 493,168,292 |
| Less noncurrent portion of trade receivables from related parties | **37,584,527** | 44,001,029 |
| | **₱404,204,661** | ₱449,167,263 |

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

The rollforward analysis of the Group's allowance for impairment losses follows:

| | **2014** | 2013 |
|---|---|---|
| Balance at the beginning of the year | **₱1,066,172** | ₱1,066,172 |
| Provision for the year (Note 17) | **1,667,720** | – |
| Balance at end of year | **₱2,733,892** | ₱1,066,172 |

Allowance for impairment losses as of December 31, 2013 pertains to long-outstanding other receivables of Parent Company which were specifically identified as impaired. In 2014, the Group also recognized additional provision on its receivable from LGUs which was also specifically identified as impaired.

## 6. Short-Term Deposit

As of December 31, 2013, the Group has short-term deposit with a local bank amounting to ₱100,000,000 in relation to the back-to-back loan credit accommodation obtained by BEST from the local bank on December 28, 2012. This deposit, including the accrued interest, is restricted and can be withdrawn, transferred or encumbered only with the written consent of the local, unless the loans or any part thereof, including interest and other charges thereon, shall have been fully paid or discharged.

Interest income on the short-term deposit, gross of 20% final tax, amounted to ₱851,615 and ₱1,524,834 in 2014 and 2013, respectively.

On March 21, 2014, BEST paid the loan payable to the local bank using the short-term deposit (see Note 13).

## 7. Other Current Assets

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Input VAT | **₱18,367,343** | ₱22,836,566 |
| Prepayments | **1,976,300** | 4,689,910 |
| Creditable withholding taxes | **1,137,430** | 1,137,430 |
| Prepaid insurance | **13,333** | 87,429 |
| Miscellaneous deposits | **15,669** | 15,669 |
| | **21,510,075** | 28,767,004 |
| Less allowance for impairment losses | **4,581,137** | 4,364,957 |
| | **₱16,928,938** | ₱24,402,047 |

The movements in allowance for impairment losses follow:

| | **2014** | 2013 |
|---|---|---|
| Balance at beginning of year | **₱4,364,957** | ₱– |
| Provision for the year (Note 17) | **216,180** | 308,371 |
| Effect of business combination | – | 4,056,586 |
| Balance at end of year | **₱4,581,137** | ₱4,364,957 |

The Parent Company provided an allowance for impairment on its prepayments, creditable withholding taxes and input VAT amounting to ₱4,581,137 and ₱4,364,957 as of December 31, 2014 and 2013, respectively, due to low probability that these assets may be utilized in the future.

In 2013, the Parent Company's allowance for impairment losses amounting to ₱4,056,586 was consolidated to BEST on the date of the reverse acquisition.

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

The details of the Group's investments in an associate and a joint venture accounted for under the equity method as of December 31, 2014 and 2013 follow:

| | Associate | | Joint Venture | | Total | |
|---|---|---|---|---|---|---|
| | Metro Clark Waste Management Corporation (MCWM) | | Ecoedge Resources Corporation (ERC) | | | |
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Investments | **₱32,393,358** | ₱32,393,358 | **₱2,812,499** | ₱2,812,499 | **₱35,205,857** | ₱35,205,857 |
| Additional investment | **–** | – | **48,600,000** | – | **48,600,000** | – |
| | **32,393,358** | 32,393,358 | **51,412,499** | 2,812,499 | **83,805,857** | 35,205,857 |
| Accumulated share in net earnings (losses): | | | | | | |
| Balance at beginning of year | **9,412,455** | 9,460,919 | **(175,176)** | – | **9,237,279** | 9,460,919 |
| Equity in net earnings (losses) of associate and joint venture | **3,135,611** | (48,464) | **(4,977,612)** | (175,176) | **(1,842,001)** | (223,640) |
| Balance at end of year | **12,548,066** | 9,412,455 | **(5,152,788)** | (175,176) | **7,395,278** | 9,237,279 |
| | **₱44,941,424** | ₱41,805,813 | **₱46,259,711** | ₱2,637,323 | **₱91,201,135** | ₱44,443,136 |

MCWM

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

As of December 31, 2014 and 2013, the Group holds 16% interest in MCWM. The Group exercise significant influence in MCWM due to the presence of BEST's President in the Board of MCWM. The President of BEST, hence, effectively has a participation in the policy-making processes of MCWM.

ERC

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

As of December 31, 2014, BEST holds 60% interest in ERC. Joint control exists as decisions about the relevant activities of ERC require the unanimous consent of both BEST and LIEI, which is supported by the contractual agreement of the parties to the following:

- The affirmative vote of shareholders representing at least 75% of the issued share capital shall be required to pass a shareholders resolution;

- ERC shall be governed by the BOD that will comprise of 5 directors (3 nominated by BEST and 2 nominated by LIEI), whereby 4 directors shall be required to pass a board resolution.

The financial information of the associate and joint venture as of and for the years ended December 31, 2014 and 2013 follows:

| | MCWM | | ERC | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Cash and cash equivalents | **₱34,303,580** | ₱9,521,903 | **₱4,327,975** | ₱4,687,500 |
| Current assets | **₱102,305,183** | ₱80,110,481 | **₱11,133,596** | ₱4,687,500 |
| Noncurrent assets | **208,159,127** | 203,316,145 | **113,679,939** | – |
| Total assets | **₱310,464,310** | ₱283,426,626 | **₱124,813,535** | ₱4,687,500 |
| Current liabilities | **₱15,499,051** | ₱19,025,684 | **₱51,989,017** | ₱291,960 |
| Noncurrent liabilities | **40,086,467** | 27,826,450 | **–** | – |
| Total liabilities | **₱55,585,518** | ₱46,852,134 | **₱51,989,017** | ₱291,960 |
| Revenue | **₱ 175,606,767** | ₱124,279,983 | **₱380,221** | ₱– |
| Depreciation and amortization | **57,273,232** | 42,272,140 | **1,599,07** | – |
| Interest expense | **2,257,819** | 2,312,213 | **463,177** | – |
| Interest income | **815,820** | 837,672 | **42,937** | – |
| Net income (loss) | **19,597,571** | (302,890) | **(8,296,021)** | (291,960) |
| Net assets | **254,878,792** | 236,574,492 | **72,824,518** | 4,395,540 |
| Ownership interest | **16%** | 16% | **60%** | 60% |
| | **40,780,607** | 37,851,919 | **43,694,711** | 2,637,323 |
| Other adjustments | **4,160,817** | 3,953,894 | **2,565,000** | – |
| Carrying value of investment | **₱44,941,424** | ₱41,805,813 | **₱46,259,711** | ₱2,637,323 |

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends or to repay loans or advances made by the Group.

## 9. Deposits

As of December 31, 2014 and 2013, BEST made deposits to GSIS as surety bond amounting to ₱3,155,365. These deposits were made in favor of BEST's contracting parties, which are government offices, so that the completion of the project is guaranteed. If the Group fails to execute the services according to the specifications laid out in the respective contracts, the government offices will receive guaranteed compensation for any monetary loss up to the amount of the performance bond.

## 10. Investment Property

The Group owns two condominium units located in Pasig City. The one unit is being used by BEST while the other unit is being leased out to related parties. The allocated cost and accumulated depreciation of the transferred condominium units are allocated based on the area (in square meters) of the space leased out (see Notes 15 and 21).

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

| | **2014** | 2013 |
|---|---|---|
| Cost: | | |
| Transfer from property and equipment (Note 11) | **₱38,535,329** | ₱38,535,329 |
| Accumulated depreciation: | | |
| Balance at beginning of year | **1,101,010** | – |
| Depreciation (Note 16) | **1,117,443** | 1,101,010 |
| | **2,218,453** | 1,101,010 |
| Net book value | **₱36,316,876** | ₱37,434,319 |

Rent income earned from the investment property amounted to ₱1.00 million and ₱1.50 million in 2014 and 2013, respectively.

A report by an independent appraiser dated January 7, 2015 indicated that the fair market value of the investment property amounted to ₱39.3 million as of December 31, 2014.

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

## 11. Property and Equipment

This account consists of:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | **Land** | **Condominium unit and Improvements** | **Transportation and Heavy Equipment** | **Office Furniture and Fixtures** | **Development Cost** | **Total** |
| **Cost** | | | | | | |
| At January 1 | **₱115,252,700** | **₱36,962,660** | **₱123,116,870** | **₱2,401,685** | **₱104,146,099** | **₱381,880,014** |
| Additions | **–** | **–** | **697,501** | **789,457** | **–** | **1,486,958** |
| At December 31 | **115,252,700** | **36,962,660** | **123,814,371** | **3,191,142** | **104,146,099** | **383,366,972** |
| **Accumulated Depreciation and Amortization** | | | | | | |
| At January 1 | **–** | **1,061,722** | **28,760,361** | **511,766** | **56,938,361** | **87,272,210** |
| Depreciation and amortization (Notes 16 and 17) | **–** | **1,183,307** | **11,413,097** | **830,152** | **6,172,830** | **19,599,386** |
| At December 31 | **–** | **2,245,029** | **40,173,458** | **1,341,918** | **63,111,191** | **106,871,596** |
| Net Book Value | **₱115,252,700** | **₱34,717,631** | **₱83,640,913** | **₱1,849,224** | **₱41,034,908** | **₱276,495,376** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Land | Condominium unit and Improvements | Transportation and Heavy Equipment | Office Furniture and Fixtures | Development Cost (As adjusted, Note 21) | Total |
| **Cost** | | | | | | |
| At January 1 | ₱115,252,700 | ₱75,497,989 | ₱123,116,870 | ₱2,401,685 | ₱104,119,313 | ₱420,388,557 |
| Additions | – | – | – | – | 26,786 | 26,786 |
| Transfer to investment property (Note 10) | – | (38,535,329) | – | – | – | (38,535,329) |
| At December 31 | 115,252,700 | 36,962,660 | 123,116,870 | 2,401,685 | 104,146,099 | 381,880,014 |
| **Accumulated Depreciation and Amortization** | | | | | | |
| At January 1 | – | – | 27,057,174 | 472,174 | 53,122,472 | 80,651,820 |
| Depreciation and amortization (Notes 16 and 17) | – | 1,061,722 | 1,703,187 | 39,592 | 3,815,889 | 6,620,390 |
| At December 31 | – | 1,061,722 | 28,760,361 | 511,766 | 56,938,361 | 87,272,210 |
| **Net Book Value** | ₱115,252,700 | ₱35,900,938 | ₱94,356,509 | ₱1,889,919 | ₱47,207,738 | ₱294,607,804 |

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

In 2013, the Group entered into a finance lease agreement with a local lending company for two units of transportation equipment costing ₱6,608,000 in total. The carrying value of the transportation equipment is ₱5,742,329 as of December 31, 2014. Interest expense incurred amounted to ₱340,489 and ₱21,460 in 2014 and 2013, respectively.

The cost of fully depreciated property and equipment still being used in the operations amounted to ₱10,175,193 and ₱12,026,284 as of December 31, 2014 and 2013, respectively.

## 12. Trade and Other Payables

This account consists of:

| | **2014** | 2013 |
|---|---|---|
| Trade payable | | |
| Related parties (Note 15) | **₱10,040,244** | ₱51,618,768 |
| Third parties | **7,188,170** | 5,657,564 |
| | **17,228,414** | 57,276,332 |
| Payable to government agencies | **63,303,405** | 51,156,217 |
| Provision (Note 17) | **1,167,512** | – |
| Accrued expenses | **699,299** | 2,971,365 |
| Others | **78,188** | – |
| | **₱82,476,818** | ₱111,403,914 |

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

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

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

Provision pertains to accrual for deficiency taxes paid subsequent to reporting period.

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

## 13. Loans Payable

On December 28, 2012, BEST obtained a loan from local bank for working capital requirements under a back-to-back loan credit accommodation amounting to ₱100,000,000 with interest rate ranging from 3.75% to 4.20% per annum, via a one year promissory note being reviewed and discounted every 30 days at prevailing market rate. This loan is secured by a deed of assignment on the Group's time deposits with the same bank amounting to ₱100,000,000, which can be withdrawn, transferred or encumbered only with a written consent of the local bank, unless the loans or any part thereof, including interest and other charges thereon, shall have been fully paid or discharged (see Note 6).

Interest expense on loans payable amounted to ₱604,167 and ₱4,190,075 in 2014 and 2013, respectively.

On March 21, 2014, BEST settled the loan with the local bank using the short-term deposit of BEST (see Note 6).

## 14. Equity

Capital Stock

The authorized capital stock of MIC follows with ₱1 par value per share:

| | **2014** | 2013 |
|---|---|---|
| **Authorized number of shares:** | | |
| At the beginning of the year | **740,000,000** | 240,000,000 |
| Increase in shares authorized to issue | – | 500,000,000 |
| At the end of the year | **740,000,000** | 740,000,000 |
| **Number of shares issued and outstanding:** | | |
| At the beginning of the year | **690,000,000** | 190,000,000 |
| Issuance of shares of stock | – | 500,000,000 |
| At the end of the year | **690,000,000** | 690,000,000 |

In accordance with Annex 68-D of SRC Rule 68 (As Amended) (2011), below is a summary of MIC's track record of registration of securities.

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

MIC's total number of shareholders is 121 and 124 as of December 31, 2014 and 2013, respectively.

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

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

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

Retained earnings
For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. As of December 31, 2014 and 2013, the Parent Company is in a deficit position hence no dividends were declared during the years covered.

The details of MIC's deficit are as follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of year | **₱195,870,153** | ₱188,411,388 | ₱186,554,149 |
| Net loss during the year | **3,733,801** | 7,458,765 | 1,857,239 |
| | **₱199,603,954** | ₱195,870,153 | ₱188,411,388 |

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

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

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

Noncontrolling Interests
On June 16, 2014, the other stockholders of BEST made additional investments amounting to ₱20,250,000.

## 15. **Related Party Transactions**

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

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

**2014**

| Category | Amount | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|
| **Trade receivables** (Note 5) | | | | |
| **Parent** | | | | |
| IPMCDC (a) | **₱80,977,297** | **₱4,975,223** | Non-interest-bearing within one year | Unsecured, no impairment |
| **Shareholders** | | | | |
| IPMESI (b) | **258,267,416** | **376,214,533** | Non-interest-bearing within one year | Unsecured, no impairment |
| IPMRDC (c) | **4,875,148** | **3,234,093** | Non-interest-bearing within one year | Unsecured, no impairment |
| **Joint Venture** | | | | |
| ERC (d) | **3,000** | **3,000** | Non-interest-bearing within one year | Unsecured, no impairment |
| | | **₱384,426,849** | | |
| **Due from** | | | | |
| **Joint venture** | | | | |
| ERC (d) | **₱449,202** | **₱716,162** | Non-interest-bearing on demand | Unsecured, no impairment |
| **Loans receivable** (Note 5) | | | | |
| **Joint venture** | | | | |
| ERC (k) | **₱31,000,000** | **₱31,000,000** | Interest-bearing due within one year | Unsecured, no impairment |
| **Interest receivable** (Note 5) | | | | |
| ERC (k) | **₱308,260** | **₱308,260** | Due within one year | Unsecured, no impairment |
| | | **31,308,260** | | |
| **Trade payables** (Note 12) | | | | |
| **Parent** | | | | |
| IPMCDC (f) | **₱42,078,525** | **₱10,040,244** | Non-interest-bearing within one year | Unsecured |
| **Due to** | | | | |
| **Parent** | | | | |
| IPMCDC (g)(h) | **₱2,758,786** | **₱2,758,786** | Non-interest-bearing on demand | Unsecured |
| **Shareholder** | | | | |
| IPMESI (g) | – | **2,279,908** | Non-interest-bearing on demand | Unsecured |
| **Affiliate** | | | | |
| GNCA Holdings, Inc. (GNCA) (i) | **180,000** | – | Non-interest-bearing due and demandable | Unsecured |
| | | **₱5,038,694** | | |

2013

| Category | Amount | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|
| **Trade receivables** (Note 5) | | | | |
| **Parent** | | | | |
| IPMCDC (a) | ₱30,158,700 | ₱42,726,753 | Non-interest-bearing within one year | Unsecured, no impairment |
| **Shareholders** | | | | |
| IPMESI (b) | 227,473,189 | 422,202,051 | Non-interest-bearing within one year | Unsecured, no impairment |
| IPMRDC (c) | 2,162,550 | 1,023,625 | Non-interest-bearing within one year | Unsecured, no impairment |
| IPM Trading (e) | 812,072 | – | Non-interest-bearing within one year | Unsecured, no impairment |
| | | ₱465,952,429 | | |
| **Due from** | | | | |
| **Joint venture** | | | | |
| ERC (d) | ₱266,960 | ₱266,960 | Non-interest-bearing on demand | Unsecured, no impairment |
| **Trade payables** (Note 12) | | | | |
| **Parent** | | | | |
| IPMCDC (f) | ₱9,508,928 | ₱9,508,928 | Non-interest-bearing within one year | Unsecured |
| **Shareholder** | | | | |
| IPM Trading (f) | 103,964,670 | 42,109,840 | Non-interest-bearing within one year | Unsecured |
| | | ₱51,618,768 | | |
| **Due to** | | | | |
| **Parent** | | | | |
| IPMCDC (g)(h) | ₱– | ₱100,000,000 | Non-interest-bearing on demand | Unsecured |
| **Shareholder** | | | | |
| IPMESI (g) | – | 2,279,908 | Non-interest-bearing on demand | Unsecured |
| IPMRDC (g) | 241,894 | 241,894 | Non-interest-bearing on demand | Unsecured |
| **Affiliate** | | | | |
| GNCA Holdings, Inc. (GNCA) (i) | 180,000 | – | Non-interest-bearing on demand | Unsecured |
| | | ₱102,521,802 | | |

a. BEST provides composting of waste materials services to IPMCDC and charges tipping fees, and composting and waste processing fees based on the cubic meters of waste processed for the period. In 2014, BEST charged IPMCDC for transportation equipment rental fees.

b. BEST has an existing contract with IPMESI for the operation and maintenance of an Integrated Solid Waste Management Facility for a fixed monthly fee of ₱17,451,854. BEST also has a separate contract with IPMESI for the development of an Integrated Ecological Solid Waste Management Facility for a fixed monthly fee of ₱2,000,000 or 7.5% of the gross monthly income of the landfill for a period of five (5) years starting August 2010, whichever is higher (see Note 21). In 2013, BEST charged IPMESI for transportation equipment rental fees.

c. In January 2013, BEST leased part of its office space to IPMRDC for a monthly rental fee of ₱139,837, inclusive of VAT (see Note 21).

d. BEST provided advances to ERC in line with its start-up operations. The advances are non-interest-bearing and payable on demand.

e. In 2013, IPM Trading rented BEST's transportation equipment. There was no outstanding receivable from this transaction as of December 31, 2014 and 2013.

f. IPMCDC and IPM Trading charges BEST for the rental of equipment, subcontracted services, salaries and wages, fuel and oil and repairs and maintenance expenses incurred in line with the operations of BEST.

g. Due to IPMCDC, IPMESI and IPMRDC are for various reimbursable expenses advanced by the related parties on behalf of BEST. These advances are non-interest bearing and are due and on demand.

h. On December 28, 2012, BEST obtained advances from IPMCDC amounting to ₱100,000,000 for working capital requirements. These advances are non-interest bearing and are due on demand. BEST paid IPMCDC in 2014 amounted to ₱100,000,000.

i. MIC entered into an agreement with GNCA, an entity controlled by one of MIC's director, for the sharing of common costs incurred on the leased office space of MIC. The agreement provides that MIC shall pay fixed monthly utility charges of ₱15,000 in 2014 and 2013, in lieu of its proportionate share in monthly rentals on the leased premises.

j. In 2014, the BOD of MIC approved the grant of per diem to members of the BOD for every attendance in the regular meetings of the BOD. Total per diem paid to the directors amounted to ₱240,000 in 2014 (see Note 17).

k. In 2014, the Group granted one year loans to ERC amounting to ₱19 million with 3.8640% interest rate which will be due on November 1, 2015 and ₱12 million with 3.718% interest which will be due on July 31, 2015. As of December 31, 2014, accrued interest receivable amounted to ₱308,260.

Compensation of Key Management Personnel of the Group

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Salaries and other short-term employee benefits | **₱4,474,290** | ₱4,343,971 | ₱3,099,574 |

## 16. **Cost of Services**

This account consists of:

| | **2014** | 2013 (As adjusted, Note 21) | 2012 (As adjusted, Note 21) |
|---|---|---|---|
| Rent (Note 15) | **₱55,457,000** | ₱46,558,877 | ₱43,343,615 |
| Contract costs (Note 15) | **28,027,685** | 29,958,507 | 14,316,953 |

(Forward)

| | 2014 | 2013 (As adjusted, Note 21) | 2012 (As adjusted, Note 21) |
|---|---|---|---|
| Depreciation and amortization (Notes 10 and 11) | **₱20,380,811** | ₱7,672,955 | ₱17,955,024 |
| Materials and tools (Note 15) | **16,077,897** | 9,712,638 | 14,015,279 |
| Fuel and oil (Note 15) | **15,037,713** | 17,349,510 | 8,752,743 |
| Repairs and maintenance (Note 15) | **9,479,300** | 24,060,874 | 10,040,494 |
| Salaries and wages (Note 15) | **4,806,206** | 4,734,835 | 5,154,854 |
| Transportation and travel | **547,821** | 115,066 | 13,682 |
| Taxes and licenses | **337,175** | 813,224 | 125,135 |
| Supplies | **225,459** | 271,403 | 44,948 |
| Utilities | **137,616** | 223,939 | 280,065 |
| Others | **100,064** | 610,529 | 349,185 |
| | **₱150,614,747** | ₱142,082,357 | ₱114,391,977 |

17. **General and Administrative Expenses**

This account consists of:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Taxes and licenses | **₱15,394,076** | ₱8,294,871 | ₱1,775,581 |
| Salaries, wages and employee benefits (Notes 15 and 18) | **8,471,198** | 7,064,978 | 2,262,379 |
| Professional fees | **2,272,148** | 1,560,025 | 292,937 |
| Provision (Note 12) | **1,167,512** | – | – |
| Utilities (Note 15) | **903,694** | 899,358 | 102,884 |
| Provision for impairment losses (Notes 5 and 7) | **1,883,900** | 308,371 | – |
| Office supplies and printing costs | **777,582** | 703,708 | 125,492 |
| Entertainment, amusement and recreation | **705,550** | 304,750 | 749,410 |
| Repairs and maintenance | **580,590** | 349,770 | 27,120 |
| Stock exchange listing fee | **542,918** | 2,026,593 | – |
| Depreciation (Note 11) | **336,018** | 48,445 | 14,003 |
| Insurance | **253,614** | – | – |
| Directors' fee (Note 15) | **240,000** | 220,000 | – |
| Pension expense (Note 18) | **283,003** | 44,670 | – |
| Transportation and travel | **215,327** | 301,943 | 3,899,448 |
| Fuel and oil | **31,968** | 80,463 | 194,769 |
| Net interest cost on retirement benefit obligation (Note 18) | **7,299** | 8,242 | – |
| Rent | **6,000** | 278,445 | 682,661 |
| Others | **782,826** | 479,794 | 379,595 |
| | **₱34,855,223** | ₱22,974,426 | ₱10,506,279 |

18. **Pension Plan**

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

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

The latest actuarial valuation date of the Group's retirement plan is as of December 31, 2014.

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

| | **2014** | | |
|---|---|---|---|
| | **Present value of defined benefit obligation** | **Fair value of plan assets** | **Net pension liability** |
| At January 1 | **₱517,797** | **(₱341,929)** | **₱175,868** |
| *Benefit cost in profit or loss* | | | |
| Current service cost (Note 17) | **283,003** | **–** | **283,003** |
| Net interest expense (Note 17) | **21,489** | **–** | **21,489** |
| Interest income (Note 17) | **–** | **(14,190)** | **(14,190)** |
| *Remeasurements in other comprehensive income* | | | |
| Remeasurement loss - return on plan asset | **–** | **11,121** | **11,121** |
| Actuarial gain - changes in financial assumptions | **(65,505)** | **–** | **(65,505)** |
| Actuarial loss - changes in experience | **4,690** | **–** | **4,690** |
| At December 31 | **₱761,474** | **(₱344,998)** | **₱416,476** |

| | 2013 | | |
|---|---|---|---|
| | Present value of defined benefit obligation | Fair value of plan assets | Net pension liability |
| At January 1 | ₱145,616 | ₱– | ₱145,616 |
| *Benefit cost in profit or loss* | | | |
| Current service cost (Note 17) | 44,670 | – | 44,670 |
| Interest expense (Note 17) | 8,242 | – | 8,242 |
| *Remeasurements in other comprehensive income* | | | |
| Actuarial loss - changes in financial assumptions | 83,292 | – | 83,292 |
| Actuarial loss - changes in demographic assumptions | 57,146 | – | 57,146 |
| Actuarial loss - changes in experience | 178,831 | – | 178,831 |
| Contributions | – | (341,929) | (341,929) |
| At December 31 | ₱517,797 | (₱341,929) | ₱175,868 |

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

The Group does not expect to contribute to the defined benefit pension plan in 2015.

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

| | **2014** | 2013 |
|---|---|---|
| Discount rate | **4.95%** | 4.15% |
| Salary increase rate | **2.00%** | 2.00% |

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

| | | Increase (decrease) in defined benefit obligation | |
|---|---|---|---|
| | Change in variable | **2014** | 2013 |
| Discount rate | +100 bps | **(₱71,355)** | (₱57,631) |
| | -100 bps | **83,212** | 69,229 |
| Salary increase rate | +100 bps | **77,907** | 65,087 |
| | -100 bps | **(68,283)** | (55,249) |

The Group expects to pay retirement benefits in 2016 amounting ₱108,375 and in 2017 amounting to ₱176,868. The weighted average duration of the defined benefit obligation is 11.7 years.

## 19. **Income Tax**

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Current | **₱33,571,091** | ₱31,613,780 | ₱21,535,220 |
| Final | **185,062** | 340,965 | 3,045 |
| Deferred | **(640,167)** | – | – |
| | **₱33,115,986** | ₱31,954,745 | ₱21,538,265 |

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

| | **2014** | 2013 |
|---|---|---|
| NOLCO | **₱12,199,823** | ₱10,285,862 |
| Allowance for impairment losses | **1,066,172** | 1,066,172 |
| Net pension liability | – | 175,868 |
| | **13,265,995** | 11,527,902 |
| Tax rate | **30%** | 30% |
| | **₱3,979,799** | ₱3,458,371 |

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

In 2014, BEST recognized the previously unrecognized deferred tax assets amounting to ₱52,760 since management believes that future taxable income will allow the deferred tax assets to be utilized. BEST also recognized deferred tax liability amounting to ₱14,908 arising from remeasurement gain on retirement benefit obligation.

The components of the Groups recognized deferred tax assets as of December 31, 2014 follow:

| | |
|---|---|
| Allowance for impairment losses | **₱1,667,720** |
| Net pension liability | **416,476** |
| | **2,084,196** |
| Tax rate | **30%** |
| | **₱625,259** |

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

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| At statutory tax rate | **₱28,303,127** | ₱22,141,915 | ₱22,720,816 |
| Add (deduct) tax effects of: | | | |
| Nondeductible expense | **3,334,254** | 7,749,870 | 11,959 |
| Change in unrecognized deferred tax assets | **1,018,536** | 2,166,350 | – |
| Equity in net losses (income) of an associate and a joint venture | **552,600** | 67,092 | (1,192,987) |
| Interest income subjected to final tax | **(92,531)** | (170,482) | (1,523) |
| Effective income tax | **₱33,115,986** | ₱31,954,745 | ₱21,538,265 |

NOLCO of the Parent Company as of December 31, 2014 consists of:

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Date |
|---|---|---|---|---|---|
| 2014 | ₱3,354,805 | ₱– | ₱– | ₱3,354,805 | 2017 |
| 2013 | 7,137,132 | – | – | 7,137,132 | 2016 |
| 2012 | 1,707,886 | – | – | 1,707,886 | 2015 |
| 2011 | 1,440,844 | – | 1,440,844 | – | 2014 |
| | ₱13,640,667 | ₱– | ₱1,440,844 | ₱12,199,823 | |

## 20. Basic/Diluted Loss per Share

Basic/diluted loss per share was computed as follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Net income (a) | **₱61,227,771** | ₱41,851,637 | ₱54,197,789 |
| Weighted average number of outstanding common share (b) | **690,000,000** | 469,452,055 | 190,000,000 |
| Basic/diluted loss per share (a/b) | **₱0.09** | ₱0.09 | ₱0.29 |

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

## 21. Commitments

As of December 31, 2014 and 2013, the Group has the following contractual commitments:

- On December 23, 2011, BEST entered into a contractual agreement with IPMCDC, the ultimate parent, to undertake composting of waste materials. The contract is renewable every year (see Note 15).

- BEST entered into a contractual commitment with IPMESI, a stockholder of the Parent Company, to undertake the following, subject to renewal and extensions, if any:

  a) Operation and Maintenance of Integrated Solid Waste Management Facility for a fixed monthly fee of ₱17,451,854 per month renewed. This agreement was renewed on March 28, 2014 for the period covering January 1, 2014 to December 31, 2014.
  b) Development of an Integrated Ecological Solid Waste Management Facility for a fixed monthly fee of ₱2,000,000 or 7.5% of the gross monthly income of the landfill for a period of five (5) years starting in August 2010 (see Note 15). In 2014, it was determined that costs associated with the Company's contractual commitment with IPM ESI to undertake the development of an Integrated Ecological Solid Waste Management Facility were capitalized as part of the Company's "Property and Equipment" instead of "Receivables". The balances of receivables, property and equipment, revenue and cost of services have been adjusted to properly reflect the transaction. This resulted to a decrease in revenue and cost of services amounting to □25.22 million and □15.28 million in 2013 and 2012, respectively. Adjustments on receivables and property and equipment amounted to □85.58 million and □110.80 million as of December 31, 2013 and 2012, respectively (see Note 15). These adjustments have no impact to the Group's net income and EPS for the years ended December 31, 2013 and 2012 and to the Group's total assets, total liabilities, retained earnings and equity as of December 31, 2013 and January 1, 2013.

- On April 23, 2012, BEST entered into a contractual commitment to provide garbage hauling and disposal services for the Municipality of Taytay, Rizal for a consideration of ₱349 per cubic meter or a total of 45,845 cubic meters of waste hauled to the landfill facility amounting to ₱15,999,905. The agreement ended in June 2013 when the total computed volume of 45,845 cubic meters of waste had already been completely hauled to the landfill facility. The outstanding receivable to the municipality amounted to ₱14,105,761 and no income was recognized in 2014.

- On December 28, 2012, BEST has renewed its contractual commitments to accommodate the residual waste from the Municipalities of Baras, Cardona and Tanay in Rizal for a consideration amounting to ₱600 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties. The outstanding receivable to the municipalities amounted to ₱2,735,420 and ₱1,779,123 as of December 31, 2014 and 2013, respectively. The Group recognized income from the services rendered amounting to ₱3,282,133 in 2014.

- BEST entered into a contractual commitment with Lafarge Republic, Inc. (LRI) to provide hauling services for the hauling of Refuse-Derived Fuel from Payatas Landfill site in Quezon City to LRI Plants. The contract shall be effective from July 1, 2013 to June 30, 2014, renewable upon mutual agreement of the parties. The outstanding receivable to LRI amounted to ₱2,997,575 and ₱3,891,467 as of December 31, 2014 and 2013, respectively. The Group recognized income from the services rendered amounted to ₱3,739,364 in 2014.

- On February 27, 2013, BEST has renewed its contractual commitment to accommodate the residual waste from the Municipality of Teresa, Rizal for a consideration amounting to ₱600 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties. The outstanding receivable to the municipality amounted to ₱1,545,454 and ₱1,626,595 as of December 31, 2014 and 2013, respectively. The Group recognized income from the services rendered amounted to ₱1,748,469 in 2014.

- On May 23, 2013, BEST has renewed its contractual commitment to accommodate the residual waste from the Municipality of Morong, Rizal for a consideration amounting to ₱300 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties. The outstanding receivable to the municipality amounted to ₱1,201,369 as of December 31, 2014 and no income was recognized in 2014.

- On August 13, 2013, BEST has renewed its contractual commitment to accommodate the residual waste from the Municipality of Teresa, Rizal for a consideration amounting to ₱500 per ton of municipal solid waste delivered at the Morong Engineered Sanitary Landfill located in Morong, Rizal as tipping fee. The agreement shall be effective for one year, renewable every year under the same terms and conditions unless, otherwise, mutually agreed upon by the parties.

- In January 2014, BEST has entered into an operating lease agreement on its investment property with IPMRDC. Rental income amounted to ₱998,839 in 2014 (see Note 15).

22. **Financial Risk Management Objectives and Policies**

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

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

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

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

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

| | **2014** | 2013 |
|---|---|---|
| Loans and receivables: | | |
| Cash and cash equivalents* | **₱21,256,523** | ₱35,176,398 |
| Receivables: | | |
| Trade | **409,734,807** | 404,740,787 |
| Loan | **31,000,000** | – |
| Interest | **308,260** | – |
| Due from a related party | **716,162** | 266,960 |
| Short-term deposit | – | 101,219,867 |
| | **₱463,015,752** | ₱541,404,012 |

**excluding cash on hand*

The gross maximum exposure to credit risk of the Group approximates its net maximum exposure. There were no amounts that are set-off in accordance with the requirements of PAS 32. There were no amounts subject to an enforceable master-netting arrangement or similar agreement as of December 31, 2014 and 2013.

The aging analysis of financial assets as of December 31, 2014 and 2013 follows:

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | Past Due but not Impaired | | | |
| | High Grade | 31 to 60 Days | 61 to 90 days | Impaired | Total |
| Financial assets: | | | | | |
| Loans and receivables: | | | | | |
| Cash and cash equivalents* | **₱21,256,523** | **₱–** | **₱–** | **₱–** | **₱21,256,523** |
| Receivables: | | | | | |
| Trade | **86,781,025** | **23,029,397** | **298,256,665** | **1,667,720** | **409,734,807** |
| Loans | **31,000,000** | **–** | **–** | **–** | **31,000,000** |
| Interest | **308,260** | **–** | **–** | **–** | **308,260** |
| Others | **–** | **–** | **–** | **1,066,172** | **1,066,172** |
| Due from a related party | **716,162** | **–** | **–** | **–** | **716,162** |
| | **₱140,061,970** | **₱23,029,397** | **₱298,256,665** | **₱2,733,892** | **₱464,081,924** |

**excluding cash on hand*

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

**excluding cash on hand*

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

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

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

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

The table below summarizes the maturity profile of the Group's nonderivative financial assets and liabilities as of December 31, 2014 and 2013 based on contractual undiscounted payments:

| | **2014** | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **More than One Year** | **No Term** | **Total** |
| **Financial assets** | | | | | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | **₱21,321,523** | **₱–** | **₱–** | **₱–** | **₱–** | **₱21,321,523** |
| Receivables: | | | | | | |
| Trade | **349,818,000** | **–** | **22,332,280** | **37,584,527** | **–** | **409,734,807** |
| Loan | **–** | **–** | **31,000,000** | **–** | **–** | **31,000,000** |
| Interest | **–** | **–** | **308,260** | **–** | **–** | **308,260** |
| Due from a related party | **716,162** | **–** | **–** | **–** | **–** | **716,162** |
| | **₱371,855,685** | **₱–** | **₱53,640,540** | **₱37,584,527** | **₱–** | **₱463,080,752** |
| **Financial liabilities** | | | | | | |
| Trade and other payables (excluding taxes payable) | **₱–** | **₱18,005,901** | **₱–** | **₱–** | **₱–** | **₱18,005,901** |
| Due to related parties | **5,038,694** | **–** | **–** | **–** | **–** | **5,038,694** |
| | **₱5,038,694** | **₱18,005,901** | **₱–** | **₱–** | **₱–** | **₱23,044,595** |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | More than One Year | No Term | Total |
| Financial assets | | | | | | |
| Loans and receivables: | | | | | | |
| Cash and cash equivalents | ₱5,175,874 | ₱30,060,708 | ₱– | ₱– | ₱– | ₱35,236,582 |
| Trade receivables | 379,808,457 | – | 24,932,330 | – | – | 404,740,787 |
| Due from a related party | 266,960 | – | – | – | – | 266,960 |
| Short-term deposits | – | – | 101,219,867 | – | – | 101,219,867 |
| | ₱385,251,291 | ₱30,060,708 | ₱126,152,197 | ₱– | ₱– | ₱541,464,196 |
| Financial liabilities | | | | | | |
| Trade and other payables (excluding taxes payable) | ₱57,276,332 | ₱2,971,365 | ₱– | ₱– | ₱– | ₱60,247,697 |
| Due to related parties | – | – | – | – | 102,521,802 | 102,521,802 |
| Loans payable | – | 100,000,000 | – | – | – | 100,000,000 |
| | ₱57,276,332 | ₱102,971,365 | ₱– | ₱– | ₱102,521,802 | ₱262,769,499 |

Market risk

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

*Interest rate risk*

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the next quarter, with all other variables held constant, of the Parent Company's income before tax (through the impact on floating rate borrowings in 2013):

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

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

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

The Group's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risk to which the Group is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account, are reported to the Group's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level. The Group considers total equity amounting to ₱795.38 million and ₱713.86 million as of December 31, 2014 and 2013, respectively, as capital.

Fair Value Information
Due to the short term nature of the Group's financial instruments, their fair values approximate their carrying amounts as of December 31, 2014 and 2013.

Fair Value Hierarchy
As of December 31, 2014 and 2013, the Group has no financial instrument carried in the books at fair value. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into or out of Level 3 fair value instrument.

## 23. **Segment Information**

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

| | **2014** | | | | |
|---|---|---|---|---|---|
| | **Investment Holding** | **Service** | **Combined** | **Eliminations** | **Consolidated** |
| Revenue | **₱130,966** | **₱282,469,418** | **₱282,600,384** | **₱–** | **₱282,600,384** |
| Income (loss) before tax | **(3,649,529)** | **97,993,286** | **94,343,757** | **–** | **94,343,757** |
| Provision for income tax | **11,674** | **33,104,312** | **33,115,986** | **–** | **33,115,986** |
| Net income (loss) | **(3,661,203)** | **64,888,974** | **61,227,771** | **–** | **61,227,771** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | **Investment Holding** | **Service** | **Combined** | **Eliminations** | **Consolidated** |
| **Other Information** | | | | | |
| Segment assets | **₱620,268,524** | **₱883,281,298** | **₱1,503,549,822** | **₱615,000,000** | **₱888,549,822** |
| Segment liabilities | **129,840,820** | **92,958,047** | **222,798,867** | **129,625,000** | **93,173,867** |
| Depreciation and amortization | **–** | **20,716,831** | **20,716,831** | **–** | **20,716,831** |

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

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

Revenue derived from IPMCDC, IPMESI and IPMRDC (entities under common control of IPM Group) amounted to ₱251,971,304, ₱259,794,439 and ₱207,116,056, in 2014, 2013 and 2012, respectively.

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying parent company financial statements of Minerales Industrias Corporation as of and for the year ended December 31, 2014, on which we have rendered the attached report dated March 31, 2015.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the above Parent Company has one hundred thirteen (113) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751262, January 5, 2015, Makati City

March 31, 2015

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT**
**ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Minerales Industrias Corporation and its subsidiary (collectively, the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 31, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 4751262, January 5, 2015, Makati City

March 31, 2015

## MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
**Schedule of All the Effective Standards and Interpretations**
**Under PFRS in compliance with SRC Rule 68, As Amended (2011)**
**December 31, 2014**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>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 | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | **Not Early Adopted** | | |
| **PFRS 8** | Operating Segments | ✓ | | |
| **PFRS 9** | Financial Instruments | **Not Early Adopted** | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | **Not Early Adopted** | | |
| **PFRS 10** | Consolidated Financial Statements | ✓ | | |
| **PFRS 11** | Joint Arrangements | ✓ | | |
| **PFRS 12** | Disclosure of Interests in Other Entities | ✓ | | |
| **PFRS 13** | Fair Value Measurement | ✓ | | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| **PAS 2** | Inventories | | | ✓ |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Reporting Period | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Amended) | Separate Financial Statements | ✓ | | |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | ✓ | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | | ✓ |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | ✓ | | |
| PAS 36 | Impairment of Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| PAS 41 | Agriculture | | | ✓ |
| **Philippine Interpretations** | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **IFRIC 8** | Scope of PFRS 2 | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | Interim Financial Reporting and Impairment | ✓ | | |
| **IFRIC 11** | PFRS 2 - Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 15** | Agreements for the Construction of Real Estate | **Not early adopted** | | |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| **IFRIC 21** | Levies | ✓ | | |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC-12** | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| **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. | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2014 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

**Schedule A - Financial Assets**

December 31, 2014

| Name of Issuing entity and association of each issue (i) | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet (ii) | Valued based on market quotation at end of reporting period (iii) | Income received and accrued |
|---|---|---|---|---|
| Loans and receivables: | | | | |
| Cash and cash equivalents | | 21,256,523 | 21,256,523 | |
| Trade receivables | | 409,734,807 | 409,734,807 | |
| Loan receivables | | 31,000,000 | 31,000,000 | |
| Interest | | 308,260 | 308,260 | |
| Due from related party | | 716,162 | 716,162 | |
| **Total Financial Assets** | | **463,015,752** | **463,015,752** | - |

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

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

December 31, 2014

| Name and Designation of debtor | Balance at beginning of period | Additions | Deductions: Amounts collected (ii) | Deductions: Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Trade | 380,367,901 | 405,022,727 | 401,918,442 | - | - | - | 383,472,186 |
| Non-Trade | 266,960 | | | | | | 266,960 |
| Advances to officers & employees | 189,178 | 501,525 | | | | | 690,703 |
| | **380,824,039** | **405,524,252** | **401,918,442** | **-** | **-** | **-** | **384,429,849** |

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

**Schedule C - Amounts Receivable from Related Parties**

**which are eliminated during the consolidation of financial statements**

December 31, 2014

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

None

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**
**Schedule D- Intangible Assets - Other Assets**
December 31, 2014

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

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

**Schedule E- Long Term Debt**

December 31, 2014

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

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

**Schedule F- Indebtedness to Related Parties (Long-Term Loans from Related Companies)**

December 31, 2014

| Name of related party (i) | Balance at beginning of period | Balance at end of period (ii) |
|---|---|---|
| None | | |

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

**Schedule G - Guarantees of Securities of Other Issuers**

December 31, 2014

| Name of issuing entity of securities guaranteed by the company for which this statements is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding (i) | Amount owned by person for which statement is filed | Nature of guarantee (ii) |
|---|---|---|---|---|
| None | | | | |

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**
**Schedule H - Capital Stock**
December 31, 2014

| Title of Issue | Number of Shares Authorized | Number of shares issued and outstanding at shown under related balance sheet caption | Number of shares reserved for options, warrants, conversions and other rights | Number of Shares Held By | | |
|---|---|---|---|---|---|---|
| | | | | Related parties | Directors, officers and employees | Others |
| Common shares - Php1 par value | 740,000,000 | 690,000,000 | none | 500,000,000 | 11,079,300 | 178,920,700 |

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

**SUPPLEMENTARY SCHEDULE OF DEFICIT OF THE PARENT COMPANY**
**DECEMBER 31, 2014**

| | |
|---|---|
| Unappropriated deficit, as adjusted, beginning | ₱195,870,153 |
| Net loss during the period closed to deficit | 3,733,801 |
| Unappropriated deficit, as adjusted, ending | ₱199,603,954 |

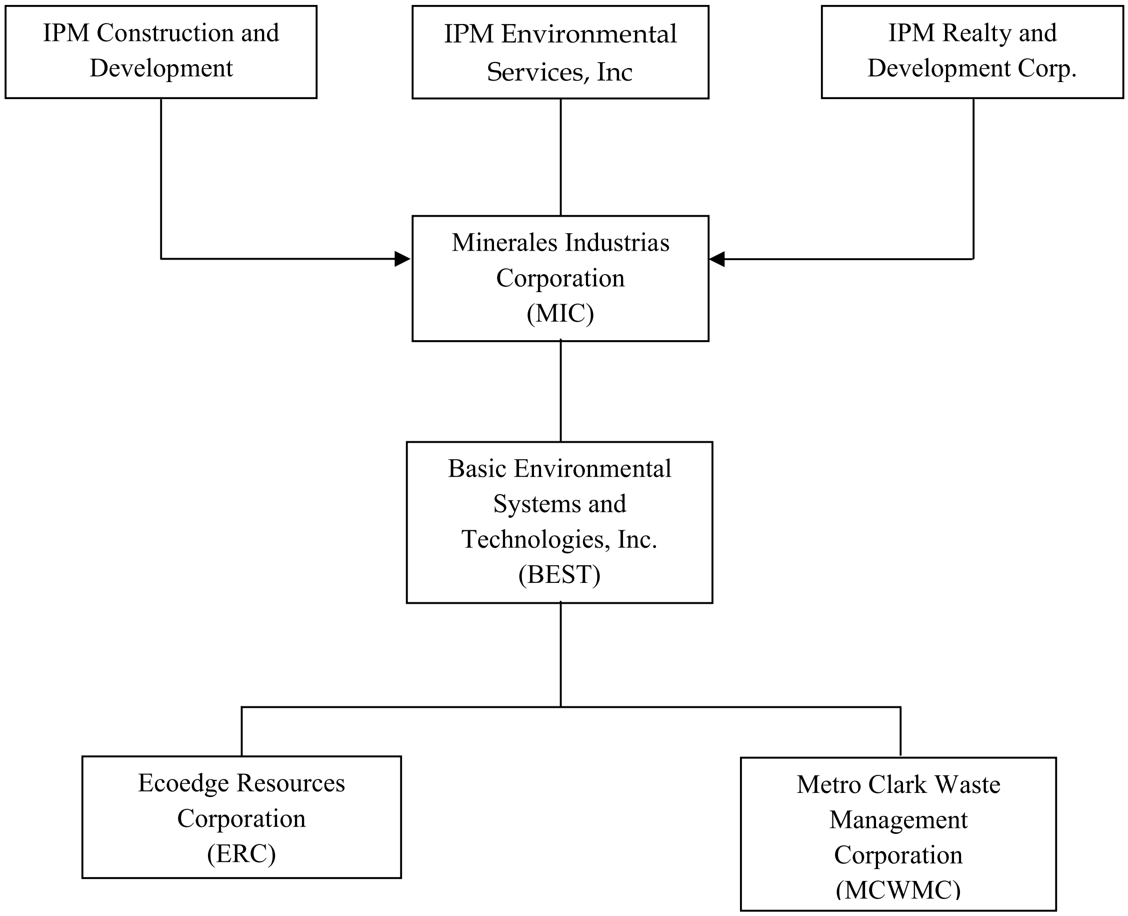
## MINERALES INDUSTRIAS CORPORATION
## FINANCIAL SOUNDNESS INDICATORS

**Years Ended December 31**

| FSI | Calculation | 2014 | 2013 |
|---|---|---|---|
| Current Ratio | Current Assets/Current Liabilities | 4.78x | 1.91x |
| Quick Ratio | Current Assets-Inventory-Prepayments/Current Liabilities | 4.60x | 1.83x |
| Debt to Equity Ratio | Liabilities/ Stockholders' Equity | 0.12x | 0.45x |
| Asset to Equity Ratio | Assets/Stockholders' Equity | 1.12x | 1.45x |
| Interest Coverage Ratio | Earnings Before Interest & Taxes/Interest Expense | 100.87 | 18.52 |
| Gross Profit Margin | Gross Profit/Net Sales | 0.34 | 0.40 |
| Book Value per share | Total Assets –Total Liabilities/ Outstanding Shares | 1.15 | 1.03 |
| Net Income per Share | Net Income/Weighted Average Number of Shares Outstanding | 0.09 | 0.09 |

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Current Ratio | 443,171,284/92,757,391 | 610,292,719/319,895,106 |
| Quick Ratio | 426,242,346/92,757,391 | 585,890,672/319,895,106 |
| Debt to Equity | 93,173,867/795,375,955 | 320,070,974/713,863,398 |
| Asset to Equity Ratio | 888,549,822/795,375,955 | 1,033,934,372/713,863,398 |
| Interest Coverage Ratio | 95,288,413/944,656 | 78,017,809/4,211,534 |
| Gross Profit Margin | 95,204,227/281,294,217 | 95,200,540/237,282,897 |
| Book Value/Share | 795,375,955/690,000,000 | 713,863,399/690,000,000 |
| Net Income per Share | 61,227,771/690,000,000 | 41,851,637/469,452,055 |

**MAP OF MINERALES INDUSTRIAS CORPORATION (MIC) GROUP OF COMPANIES**



AS095008557

MINERALES INDUSTRIAS CORPORATION
AND SUBSIDIARY

(Company's Full Name)

UNIT 103 GROUND FLOOR PRESTIGE
TOWER CONDOMINIUM F. ORTIGAS JR.
AVENUE ORTIGAS CENTER PASIG CITY

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

| Atty. Ana Maria A. Katigbak | 817-6791/897-5257 |
|---|---|
| (Contact Person) | (Company Telephone Number) |

| 12 31 | **ACGR - 2014** | 4th Wed of May |
|---|---|---|
| *Month* *Day* (Fiscal Year) | (Form Type) | (Annual Meeting) |

**N/A**
(Secondary License Type, If Applicable)

| SEC | |
|---|---|
| Dept. Requiring this Doc. | Amended Articles Number/Section |

Total Amount of Borrowings

| 121 | | |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACGR

## ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **MINERALES INDUSTRIAS CORPORATION**

3. **Unit 103, Ground Floor, Prestige Tower Condominium,**
**F. Ortigas Jr. Avenue, Ortigas Center, Pasig City** **1605**
Address of Principal Office Postal Code

4. SEC Identification Number **AS095-008557** 5. (SEC Use Only)
Industry Classification Code

6. BIR Tax Identification Number **004-636-077-000**

7. **(632) 817-6791 & 897-5257**
Issuer's Telephone number, including area code

8. N/A
Former name or former address, if changed from the last report

TABLE OF CONTENTS

## BOARD MATTERS

### 1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | Seven (7) |

| | |
|---|---|
| Actual number of Directors for the year | Seven (7) |

**(a) Composition of the Board**

**Complete the table with information on the Board of Directors:**

| Director's Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected (if ID, state the number of years served as ID) | Elected when (Annual /Special Meeting) | No. of years served as director |
|---|---|---|---|---|---|---|---|
| 1. Isabelita P. Mercado | ED | - | David L. Kho | July 2007 | July 9, 2014 | Annual | 7 |
| 2. Gener T. Mendoza | NED | - | Jewelle Y. Lao | July 2007 | July 9, 2014 | Annual | 7 |
| 3. Alfredo P. Javellana II | ID | - | Jocelyn Y. Kho (not related to ID) | July 2012 | July 9, 2014 (2 yrs.) | Annual | 2 |
| 4. William D. Ty | ID | - | Rodolfo P. De Guzman (not related to ID) | July 2007 | July 9, 2014 (7 yrs.) | Annual | 7 |
| 5. Antonio Victoriano F. Gregorio III | NED | - | Michael T. Defensor | July 2011 | July 9, 2014 | Annual | 3 |
| 6. Francis-Neil P. Mercado | ED | - | David L. Kho | May 2012 | July 9, 2014 | Annual | 2.16 |
| 7. Joseph Quintin Y. Lao | NED | - | Jewelle Lao | May 2012 | July 9, 2014 | Annual | 2.16 |

*Annual Stockholders' Meeting held on July 9, 2014

**(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.**

The Board of Directors of the Company has adopted a Manual on Corporate Governance that seeks to institutionalize the principles of good corporate governance in the entire organization. The Company has only one class of share, with one-share-one-vote policy. It gives minority stockholders the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting is used in the election of directors.

The Board shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanism.

Respect for the rights of minority shareholders and of other stakeholders
The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

Disclosure Duties
The essence of corporate governance is transparency. The Board should be transparent, the more transparent the internal workings of the corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. The Board shall commit at all times to fully publicly disclose all material information that could potentially affect share price. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership. All required information are fully disclosed to the SEC and the PSE.

Board Responsibilities
It shall be the Boards responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. Their responsibilities to the Company includes the: a) review and approval of the interim and annual financial performance; b) approval of the Company's key strategic and operational matters; c) approval of major investments and funding decision; d) monitoring of internal control; and d) identification and management of the principal risk of the Company.

(c) **How often does the Board review and approve the vision and mission?** As often as necessary. Considering the recent commencement of business operations of the Company, the Company will adopt a policy of regularly reviewing its vision and mission.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group**[1]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| Isabelita P. Mercado | Basic Environmental Systems and Technologies, Inc. (subsidiary)<br>IPM Construction and Development Corp.<br>IPM Environmental Services, Inc.<br>IPM Realty and Development Corp. | Chairman & President (Executive) |
| Francis Neil Mercado | Basic Environmental Systems and Technologies, Inc. (subsidiary)<br>IPM Construction and Development Corp.<br>IPM Environmental Services, Inc.<br>IPM Realty and Development Corp | Treasurer (Executive) |

**(ii) Directorship in Other Listed Companies**

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companiesoutside of its Group:

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---|---|---|
| Antonio Victoriano F. Gregorio III | Dizon Copper-Silver Mines<br>Geograce Resources Phils Inc.<br>Nihao Mineral Resources Int'l Inc.<br>Lodestar Investment Holdings Corp<br>Asiabest Group International Inc. | Director/Treasurer<br>Chairman of the Board<br>Chairman and President<br>Chairman/Director<br>Chairman and President |

**(iii) Relationship within the Company and its Group**

[1] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|---|---|---|
| Isabelita P. Mercado<br>Francis-Neil P. Mercado | IPM Construction and Development Corp.<br>IPM Environmental Services, Inc.<br>IPM Realty and Development Corp | Ms. Isabelita P. Mercado is the mother of Mr. Francis Neil P. Mercado. |

(iv) **Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed?**No.If yes, briefly describe other guidelines:

| | Guidelines | Maximum Number of Directorships in other companies |
|---|---|---|
| **Executive Director** | No limits placed | N/A |
| **Non-Executive Director** | No limits placed | N/A |
| **CEO** | No limits placed | N/A |

**(c) Shareholding in the Company**

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

| Name of Director | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| 1. Isabelita P. Mercado | 1,000,000 | 500,000 | 0.21739% |
| 2. Gener T. Mendoza | 1,855,000 | | 0.26884% |
| 3. Alfredo P. Javellana II | 1,000 | 179,000 | 0.02608% |
| 4. William D. Ty | 2,000,000 | | 0.28986% |
| 5. Antonio Victoriano F. Gregorio III | 1,000 | | 0.00014% |
| 6. Francis Neil P. Mercado | 2,000 | | 0.00029% |
| 7. Joseph Quintin Y. Lao | 100,000 | 5,441,300 | 0.80309% |
| **TOTAL** | **4,959,000** | **6,120,300** | **1.60569%** |

**2) Chairman and CEO**

**(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.**

Yes [ ] No [X]

Identify the Chair and CEO:

| | |
|---|---|
| Chairman of the Board | Isabelita P. Mercado |
| CEO/President | Isabelita P. Mercado |

**(b) Roles, Accountabilities and Deliverables**

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|---|---|---|
| Role | The Chairman of the Board shall exercise such powers and perform such duties as the Board of Directors may assign to him.He ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. | The President shall be the Chief Executive Officer of the Corporation and also have the general supervision and management of the business affairs and property of the corporation.He shall initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board. |
| Accountabilities | He shall preside at the meetings of the directors and the stockholders. | Implementation of policies approved by the Board. |
| Deliverables | Ensure that there is an effective line of communication between the executive and non-executive directors. | Ensure that financial results, business strategies and targets are communicated to the stakeholders. |

**3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?**

The Board shall create a Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It should prepare a description of roles and capabilities required of a particular appointment.

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

The Directors must have sufficient experience in managing the business to substitute for such formal education. They must also be assiduous and should be persons of integrity and probity.

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

While there is no formal written policy on the matter, the Board deems it to the best interest of the company that at least one non-executive director has experience in the industry that the Company shall henceforth operate in so that it can fully understand the peculiar requirements of doing business in such industry.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

| | Executive | Non-Executive | Independent Director |
|---|---|---|---|
| Role | Ensure proper implementation of Board approved policies. | Review and monitor Board policies to ensure that address the requirements and needs of the Company. | Oversight of company financial reporting process and disclosure of its financial information. |
| Accountabilities | Ensure that in the course of implementing policies of the Board, they will comply with their fiduciary duties to the Company. | Adhere to their fiduciary duties as directors of the Company. | Perform their duties as members/ chairpersons of various Board committees, especially those pertaining to corporate governance. |

| | | | |
|---|---|---|---|
| Deliverables | Ensure that concrete actions are taken to implement Board approved policies. | Regularly review Board policies. | Review financial reports and other disclosures. |

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

Independent Director refers to a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain**.

The Company will comply with the term limit set by the SEC in its Memo Circular No. 9 Series of 2011.

**5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)**

(a) **Resignation/Death/Removal**

Indicate any changes in the composition of the Board of Directors that happened during the period:

| Name | Position | Date of Cessation | Reason |
|---|---|---|---|
| None | | | |

**(b) Selection/Appointment, Re-election, Disqualification, Removal,Reinstatement and Suspension**

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure | Process Adopted | Criteria |
|---|---|---|
| **a. Selection/Appointment** | | |
| (i) Executive Directors | The Nomination Committee pre-screens and prepares a shortlist of all candidates nominated to become Directors in accordance with the qualifications and disqualifications set in the Manual of Corporate Governance of the Company. | A director must have at least one share. He must possess all the qualifications and none of the disqualifications provided in the Company's Manual on Corporate Governance. |
| (ii) Non-Executive Directors | The Nomination Committee pre-screens and prepares a shortlist of all candidates nominated to become Directors in accordance with the qualifications and disqualifications set in the Manual of Corporate Governance of the Company. | A director must have at least one share. He must possess all the qualifications and none of the disqualifications provided in the Company's Manual on Corporate Governance. |
| (iii) Independent Directors | The Nomination Committee pre-screens and prepares a shortlist of | An independent director must have at least one share. He must |

| | | |
|---|---|---|
| | all candidates nominated to become Directors in accordance with the qualifications and disqualifications set in the Manual of Corporate Governance of the Company. | possess all the qualifications and none of the disqualifications provided in the Company's Manual on Corporate Governance. He must comply with all requirements under SRC Rule 38 and other SEC issuances pertaining to independent directors. |
| **b. Re-appointment** | | |
| (i) Executive Directors | Same as above | Same as above |
| (ii) Non-Executive Directors | Same as above | Same as above |
| (iii) Independent Directors | Same as above | Same as above |
| **c. Permanent Disqualification** | | |
| (i) Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (ii) Non-Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (iii) Independent Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| **d. Temporary Disqualification** | | |
| (i) Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (ii) Non-Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (iii) Independent Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| **e. Removal** | | |
| (i) Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (ii) Non-Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (iii) Independent Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| **f. Re-instatement** | | |
| (i) Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (ii) Non-Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (iii) Independent Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| **g. Suspension** | | |

| | | |
|---|---|---|
| (i) Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (ii) Non-Executive Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |
| (iii) Independent Directors | In accordance with the Manual on Corporate Governance and related issuance of the SEC. | In accordance with the Manual on Corporate Governance and related issuance of the SEC. |

**Voting Result of the Annual General Meeting(held on July 9, 2014)**

| Name of Director | Votes Received |
|---|---|
| 1. Isabelita P. Mercado | 593,128,997 or 85.96% |
| 2. Gener T. Mendoza | 593,128,997 or 85.96% |
| 3. Alfredo P. Javellana II | 593,128,997 or 85.96% |
| 4. William D. Ty | 593,128,997 or 85.96% |
| 5. Antonio Victoriano F. Gregorio III | 593,128,997 or 85.96% |
| 6. Francis Neil P. Mercado | 593,128,997 or 85.96% |
| 7. Joseph Quintin Y. Lao | 593,128,997 or 85.96% |

**6) Orientation and Education Program**

(a) **Disclose details of the company's orientation program for new directors, if any**. The Company does not have a formal orientation program yet.

(b) **State any in-house training and external courses attended by Directors and Senior Management[2] for the past three (3) years:**

The Company's directors and officers attended a seminar last December 19, 2014 as conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc., a SEC accredited training provided.

**(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.**

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---|---|---|---|
| Isabelita P. Mercado | December 19, 2014 | Corporate Governance Seminar | Risk, Opportunities, Assessment and Management (ROAM), Inc. |
| Gener T. Mendoza | December 19, 2014 | Corporate Governance Seminar | Risk, Opportunities, Assessment and Management (ROAM), Inc. |
| Alfredo P. Javellana, II | December 19, 2014 | Corporate Governance Seminar | Risk, Opportunities, Assessment and Management (ROAM), Inc. |
| Francis-Neil P. Mercado | December 19, 2014 | Corporate Governance Seminar | Risk, Opportunities, Assessment and Management (ROAM), Inc. |
| Joseph Quintin Lao | December 19, 2014 | Corporate Governance Seminar | Risk, Opportunities, Assessment and Management (ROAM), Inc. |
| Antonio Victoriano F. Gregorio III | December 15, 2014 | Corporate Governance Seminar | Risk, Opportunities, Assessment and Management (ROAM), Inc. |

[2]Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

## B. CODE OF BUSINESS CONDUCT & ETHICS

**1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:**

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---|---|---|---|
| (a) Conflict of Interest | Directors, Executive Officers and Employees owe a fiduciary duty to the Company that requires them to act in the best interest of the Company. Actual and potential conflicts of interest should be avoided or otherwise identified, disclosed, and explained. With respect to the directors, they should strictly adhere to their fiduciary duties to the Company and comply with the Corporation Code. | | |
| (b) Conduct of Business and Fair Dealings | No Director, Executive Officer or Employee should take unfair advantage of anyone. | | |
| (c) Receipt of gifts from third parties | No formal written policy. In all cases, however, directors, management and employees should comply with legal requirements. | | |
| (d) Compliance with Laws & Regulations | No formal written policy. In all cases, however, directors, management and employees should comply with legal requirements. | | |
| (e) Respect for Trade Secrets/Use of Non-public Information | Directors, Executive Officers, and Employees must observe the confidentiality of non-public information and not disclose it to any other person without the authority of the Board. | | |
| (f) Use of Company Funds, Assets and Information | Each Director, Executive Officer and Employee owes a duty to advance the Company's legitimate interests. | | |
| (g) Employment & Labor Laws & Policies | The Company complies with labor laws and other related issuances. | | |
| (h) Disciplinary action | No formal company policy | | |
| (i) Whistle Blower | No formal company policy | | |
| (j) Conflict Resolution | No formal written policy. | | |

**2) Has the code of ethics or conduct been disseminated toall directors, senior management and employees?**

The Company has no code of ethics yet since it has no operations in 2013 and prior years. The company has started consultations regarding the formulation of a code of ethics for employees.

3) **Discuss how the company implements and monitors compliance with the code of ethics or conduct.**Not applicable.

**4) Related Party Transactions**

**(a) Policies and Procedures**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board. Not applicable.

| Related Party Transactions | Policies and Procedures |
|---|---|
| (1) Parent Company | The Company only acquired its subsidiary, BEST, last March 2013. The Company has started consultations regarding |
| (2) Joint Ventures | |

| | |
|---|---|
| (3) Subsidiaries | possible policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions. |
| (4) Entities Under Common Control | |
| (5) Substantial Stockholders | |
| (6) Officers including spouse/children/siblings/parents | |
| (7) Directors including spouse/children/siblings/parents | |
| (8) Interlocking director relationship of Board of Directors | |

**(b) Conflict of Interest**

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.None for 2014.

| | **Details of Conflict of Interest (Actual or Probable)** |
|---|---|
| Name of Director/s | |
| Name of Officer/s | |
| Name of Significant Shareholders | |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.Not applicable.

| | **Directors/Officers/Significant Shareholders** |
|---|---|
| Company | |
| Group | |

**5) Family, Commercial and Contractual Relations**

(a) Indicate, if applicable, any relation of a family,[3] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

| **Names of Related Significant Shareholders** | **Type of Relationship** | **Brief Description of the Relationship** |
|---|---|---|
| None | | |
| | | |

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

| **Names of Related Significant Shareholders** | **Type of Relationship** | **Brief Description** |
|---|---|---|
| None | | |
| | | |

[3]Family relationship up to the fourth civil degree either by consanguinity or affinity.

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

| Name of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|---|---|---|
| The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation. | | |

**6) Alternative Dispute Resolution**

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

| | Alternative Dispute Resolution System |
|---|---|
| **Corporation & Stockholders** | No conflicts or differences occurred for the last three (3) years. |
| **Corporation & Third Parties** | No conflicts or differences occurred for the last three (3) years |
| **Corporation & Regulatory Authorities** | No conflicts or differences occurred for the last three (3) years |

## C. BOARD MEETINGS & ATTENDANCE

**1) Are Board of Directors' meetings scheduled before or at the beginning of the year?**

Regular meetings of the Board of Directors shall be held once every quarter of the year on such dates and at such times and places.

**2) Attendance of Directors**

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|---|---|---|---|---|---|
| Chairman/President | Isabelita P. Mercado | July 9, 2014 | 5 | 5 | 100% |
| Member | Gener T. Mendoza | July 9, 2014 | 5 | 5 | 100% |
| Independent | Alfredo P. Javellana III | July 9, 2014 | 5 | 5 | 100% |
| Member | Antonio Victoriano F. Gregorio III | July 9, 2014 | 5 | 5 | 100% |
| Member | Francis Neil P. Mercado | July 9, 2014 | 5 | 5 | 100% |
| Member | Joseph Quintin Y. Lao | July 9, 2014 | 5 | 5 | 100% |
| Independent | William D. Ty | July 9, 2014 | 5 | 5 | 80% |

3) **Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?**None

**4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.**

A majority of the directors shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

**5) Access to Information**

**(a) How many days in advance are board papers[4] for board of directors meetings provided to the board?**

[4]Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

In practice, the notice and agenda are sent least 3 days before the meeting.

(b) **Do board members have independent access to Management and the Corporate Secretary?** Yes.

**(c) State the policy of the role of the company secretary. Does such role includeassisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?**

The Secretary, who must be a resident and a citizen of the Philippines, shall record all the votes and proceedings of the meeting of Stockholders and of the Board of Director in a book kept for that purpose. Heshall perform such other duties as may be properly delegated to him. He must comply with the Company's Manual on Corporate Governance.

(d) **Is the company secretary trained in legal, accountancy or company secretarial practices?**Yes.Please explain should the answer be in the negative.

**(e) Committee Procedures**

**Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:**

Yes [ X ] No [ ]

| Committee | Details of the procedures |
|---|---|
| Executive | Not applicable. |
| Audit | Notice of the meeting shall be sent at least three (3) days before the date of the meeting. |
| Nomination | |
| Remuneration | |
| Others (specify) | Not applicable. |

**6) External Advice**

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|---|---|
| Askingfor legal advice & opinion | Refer to the Corporate Secretary or legal counsel for advice on legality or implications. |
| Ask opinion on financial matters | Refer to the external auditors for proper guidance. |

**7) Change/s in existing policies**

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

| Existing Policies | Changes | Reason |
|---|---|---|
| Not applicable | Not applicable | Not applicable |

## D. REMUNERATION MATTERS

**1) Remuneration Process**

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated managementofficers:

The Board has approved a resolution granting per diem to the directors for every attendance at regular board meetings.

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|---|---|
| (1) Fixed remuneration | The Company only started business operations upon the acquisition of its subsidiary last March 2013. This will be considered when the company becomes bigger and full operational. | |
| (2) Variable remuneration | | |
| (3) Per diem allowance | | |
| (4) Bonus | | |
| (5) Stock Options and other financial instruments | | |
| (6) Others (specify) | | |

**2) Remuneration Policy and Structure for Executive and Non-Executive Directors**

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|---|---|---|---|
| Executive Directors | The Company only acquired its subsidiary last March 2013 and has started consultations regarding a policy on remuneration and compensation. | | |
| Non-Executive Directors | | | |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

| Remuneration Scheme | Date of Stockholders' Approval |
|---|---|
| The incumbent directors do not receive any compensation for their services. This will be considered when the organization becomes bigger and fully operational. | |

**3) Aggregate Remuneration**

Complete the following table on the aggregate remuneration accrued during the most recent year:

| Remuneration Item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|---|---|---|---|
| (a) Fixed Remuneration | None | | |
| (b) Variable Remuneration | None | | |
| (c) Per diem Allowance | 60,000.00 | 120,000.00 | 60,000.00 |
| (d) Bonuses | None | | |
| (e) Stock Options and/or other financial instruments | None | | |
| (f) Others (Specify) | None | | |
| **Total** | 60,000.00 | 120,000.00 | 60,000.00 |

| Other Benefits | Executive Directors | Non-Executive Director (other than independent directors) | Independent Directors |
|---|---|---|---|
| 1) Advances | N/A | N/A | N/A |
| 2) Credit granted | N/A | N/A | N/A |
| 3) Pension Plan/s Contributions | N/A | N/A | N/A |
| (d) Pension Plans, Obligations incurred | N/A | N/A | N/A |
| (e) Life Insurance Premium | N/A | N/A | N/A |
| (f) Hospitalization Plan | N/A | N/A | N/A |
| (g) Car Plan | N/A | N/A | N/A |
| (h) Others (Specify) | | | |
| **Total** | | | |

**4) Stock Rights, Options and Warrants**

**(a) Board of Directors**

**Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares**:

| Director's Name | Number of Direct Option/Rights/ Warrants | Number of Indirect Option/Rights/ Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|---|---|---|---|---|
| N/A | N/A | N/A | N/A | N/A |

**(b) Amendments of Incentive Programs**

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

| Incentive Program | Amendments | Date of Stockholders' Approval |
|---|---|---|
| The company only acquired its subsidiary last March 2013. The company has started consultations regarding possible incentive programs. | | |

**5) Remuneration of Management**

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

| Name of Officer/Position | Total Remuneration |
|---|---|
| Not applicable. | |
| | |

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

**Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:**

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|---|---|---|---|---|---|---|---|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Audit | | 1 | 2 | Audit Committee Charter | The Audit Committee functions include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary. | 1) Check all financial reports against its compliance with both the internal financial management handbook and accounting standards; 2) Develop a transparent financial management system that will ensure the integrity of internal control activities; and 3) Review the reports submitted by the internal and external auditors. | 1) The Audit Committee has the authority torecommend the appointment of external auditor and organize an internal audit department. |
| Nomination | | 2 | 1 | | The Committee assesses and recommend to the Board candidates for appointment to executive and non-executive directors positions. They ensure that there is a formal and transparent procedure for the appointment of new Directors of the Board. | | |
| Remuneration | | | | | | | |

### 2) Committee Members

#### (a) Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | None yet. | | | | | |
| Member (ED) | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| Member | | | | | | |

**(b) Audit Committee**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | Alfredo P. Javellana II | July 9, 2014 | 1 | 1 | 100% | 2 yrs |
| Member (NED) | Francis Neil P. Mercado | July 9, 2014 | 1 | 1 | 100% | 2.16 yrs |
| Member (ID) | William D. Ty | July 9, 2014 | 1 | | | 7 yrs. |

**Disclose the profile or qualifications of the Audit Committee members.**

**ALFREDO P. JAVELLANA II**, 69years old, earned his Bachelor of Science in Commerce Major in Accounting and Bachelor of Laws from the University of San Agustin, Iloilo City. He was an independent director of UBS Securities Philippines, Inc. from December 16, 2009 to February 10, 2010. For the past five years he was a director of Philippine Savings Bank and Toyota Motor Philippines. Previously, he was the Chief Finance Officer of the Metropolitan Bank & Trust Company, Inc. He likewise held several other positions in the same bank prior to his appointment as CFO.

**WILLIAM D. TY**, 70years old, for the past five years has been the chair and president of WAM Realty and Development Corporation (1986-present), WAM Food and Development Corporation (1978-present), Wellington Investment Manufacturing Corporation (2000-present), and Toyota Cubao Inc. (1999-present). Apart from his business affiliations and interests, Mr. Ty also serves as a regular director of Organizational Change Consultants International Inc. (1995-present) and the Alicia Tan Ty Foundation (1994-present).

**FRANCIS-NEIL P. MERCADO**, 35years old, graduated with a Bachelor of Science degree in Economics and Finance from Southern New Hampshire University, Manchester, New England, USA in 2003. He also completed his Bachelor of Science in Economics from Nottingham University, United Kingdom in 2001 and Foundation Levels from Bellerby's College, Cambridge, United Kingdom. He sits as director and/or officer of various companies' including Metro luxury Mining Corp. (2009 to present), Zinith Mines Inc. (2009-present), IPM Construction and Development Corp. (2007-present), IPM Realty and Development Corp. (2007-present) and IPM Trading and Development Corp. (2007-present).

**Describe the Audit Committee's responsibility relative to the external auditor.**

The Audit Committee discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. It should ensure that the external auditors act independently and given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

**(c) Nomination Committee**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (NED) | Gener T. Mendoza | July 9, 2014 | N/A | | | |
| Member (NED) | Antonio Victoriano F. Gregorio III | July 9, 2014 | N/A | | | |
| Member (NED) | Joseph Quintin Y. Lao | July 9, 2014 | N/A | | | |
| Member (ID) | William D. Ty | July 9, 2014 | N/A | | | |

**(d) Remuneration Committee**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman (NED) | Gener T. Mendoza | July 9, 2014 | N/A | | | |
| Member (NED) | Antonio Victoriano F. Gregorio III | July 9, 2014 | N/A | | | |
| Member (NED) | Joseph Quintin Y. Lao | July 9, 2014 | N/A | | | |
| Member (ID) | William D. Ty | July 9, 2014 | N/A | | | |

(e) **Others (Specify)** - None

Provide the same information on all other committees constituted by the Board of Directors:

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---|---|---|---|---|---|---|
| Chairman | N/A | | | | | |
| Member (ED) | N/A | | | | | |
| Member (NED) | N/A | | | | | |
| Member (ID) | N/A | | | | | |
| Member | N/A | | | | | |

**3) Changes in Committee Members**

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

| Name of Committee | Name | Reason |
|---|---|---|
| Executive | No changes during the year. | |
| Audit | | |
| Nomination | | |
| Remuneration | | |
| Others (specify) | | |

**4) Work Done and Issues Addressed**

Describe the work done by each committeeand the significant issues addressed during the year.

| Name of Committee | Work Done | Issues Addressed |
|---|---|---|
| Executive | Not applicable | |
| Audit | Review and recommendation for approval by the Board the audited financial statements | |
| Nomination | | |
| Remuneration | | |
| Others (specify) | | |

**5) Committee Program**

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

| Name of Committee | Planned Programs | Issues to be Addressed |
|---|---|---|
| Executive | The Company only started business operations in March 2013 and has begun consultations regarding possible committee programs. | |
| Audit | | |
| Nomination | | |
| Remuneration | | |
| Others (specify) | | |

## F. RISK MANAGEMENT SYSTEM

**1) Disclose the following:**

(a) Overall risk management philosophy of the company;
(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
(c) Period covered by the review;
(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
(e) Where no review was conducted during the year, an explanation why not.

The Company only started business operations in March 2013 and has yet to develop a risk management system for 2014.

**2) Risk Policy**

**(a) Company**

**Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:**

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| Not applicable | | |
| | | |

**(b) Group**

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|---|---|---|
| | | |

**(c) Minority Shareholders**

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|---|
| |
| |

3) **Control System Set Up** – Not applicable.

**(a) Company**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| | | |
| | | |

(b) **Group**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|---|---|---|
| | | |
| | | |

(c) **Committee**

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

| Committee/Unit | Control Mechanism | Details of its Functions |
|---|---|---|
| | | |
| | | |

## G. INTERNAL AUDIT AND CONTROL

The company only acquired its subsidiary last March 2013. The company has started consultations regarding the internal audit function and establish the same as a separate unit.

### 1) Internal Control System

**Disclose the following information pertaining to the internal control system of the company:**

(a) Explain how the internal control system is defined for the company;
(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
(c) Period covered by the review;
(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
(e) Where no review was conducted during the year, an explanation why not.

### 2) Internal Audit

(a) **Role, Scope and Internal Audit Function**

**Give a general description of the role, scope of internal audit work and other details of the internal audit function**.

| Role | Scope | Indicate whether In-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|---|---|---|
| The company only acquired its subsidiary last March 2013. The company has started consultations regarding the internal audit function and establish the same as a separate unit. | | | | |
| | | | | |

(b) **Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?** Not applicable

(c) **Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?** Not applicable.

**(d) Resignation, Re-assignment and Reasons**

**Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm)and the reason/s for them**. Not applicable.

| Name of Audit Staff | Reason |
|---|---|
| N/A | N/A |
| | |

**(e) Progress against Plans, Issues, Findings and Examination Trends**

**State the internal audit's progress against plans, significant issues, significant findings and examination trends.**Not applicable.

| | |
|---|---|
| **Progress Against Plans** | |
| **Issues**[5] | |
| **Findings**[6] | |
| **Examination Trends** | |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

**(f) Audit Control Policies and Procedures**

**Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."** Not applicable for 2012.

| Policies & Procedures | Implementation |
|---|---|
| The Company only started business operations in March 2013 and has yet to develop an audit control policies and procedures. | |

**(g) Mechanism and Safeguards**

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and

[5] "Issues" are compliance matters that arise from adopting different interpretations.
[6] "Findings" are those with concrete basis under the company's policies and rules.

imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company). Not applicable

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|---|---|---|---|
| | | | |
| | | | |

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

## H. ROLE OF STAKEHOLDERS

1) **Disclose the company's policy and activities relative to the following**: - Not applicable.

| | Policy | Activities |
|---|---|---|
| Customers' welfare | | |
| Supplier/contractor selection practice | | |
| Environmentally friendly value-chain | | |
| Community interaction | | |
| Anti-corruption programmes and procedures? | | |
| Safeguarding creditors' rights | | |

2) **Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?**

The Company only started business operations in March 2013 and has begun consultations regarding possible company's policy and activities.

3) **Performance-enhancing mechanisms for employee participation**.Not applicable.

(a) What are the company's policy for its employees' safety, health, and welfare?

(b) Show data relating to health, safety and welfare of its employees.

(c) State the company's training and development programmes for its employees. Show the data.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation**.Not applicable.

## I. DISCLOSURE AND TRANSPARENCY

1) **Ownership Structure**

Holding 5% shareholding or more

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | Number of Shares Held | Percent of Class |
|---|---|---|---|---|---|
| Common | IPM Construction and Development Corporation | same as record owner | Filipino | 350,000,000 | 50.725% |
| Common | PCD Nominee Corporation | The beneficial owners of such shares are Philippine Depository & Trust Corporation (PDTC) participants who hold the shares on their behalf or on behalf of their clients | Filipino | 205,896,074 | 29.695% |
| Common | IPM Environmental Services, Inc. | same as record owner | Filipino | 65,000,000 | 9.42% |
| Common | IPM Realty and Development Corporation | same as record owner | Filipino | 50,000,000 | 7.246% |

Below is the list of the record owners under PCD account holding more than 5% of the outstanding capital stock of the Corporation as of December 31, 2014:

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Citizenship | Number of Shares Held | Percent of Class |
|---|---|---|---|---|
| Common | Abacus Securities Corporation<br>2904A-East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center | Filipino | 55,510,293 | 26.73% |
| Common | Meridian Securities, Inc.<br>Suite 2702 B&C Tektite Tower 1 Ortigas Centre, Pasig City | Filipino | 40,762,000 | 19.63% |
| Common | Angping & Associates Securities, Inc<br>The Peak Tower, L.P. Leviste St.,<br>Makati City | Filipino | 21,160,300 | 10.19% |
| Common | Wealth Securities, Inc.<br>2004A-East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center | Filipino | 15,283,400 | 7.36% |

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

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---|---|---|---|
| None | | | |
| | | | |
| **TOTAL** | | | |

2) Does the Annual Report disclose the following:

| | |
|---|---|
| Key risks | Yes |
| Corporate objectives | Yes |
| Financial performance indicators | Yes |

| | |
|---|---|
| Non-financial performance indicators | N/A |
| Dividend policy | Yes |
| Details of whistle-blowing policy | N/A |
| Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | Yes |
| Training and/or continuing education programme attended by each director/commissioner | N/A |
| Number of board of directors/commissioners meetings held during the year | Yes |
| Attendance details of each director/commissioner in respect of meetings held | Yes |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) **External Auditor's fee**

| Name of auditor | Audit Fee | Non-audit Fee |
|---|---|---|
| Sycip, Gorres, Velayo & Co. | Php121,000.00 | none |

4) **Medium of Communication**

List down the mode/s of communication that the company is using for disseminating information.

The shareholders are provided through public records, the disclosure and reports filed with the SEC, PSE and other regulating agencies.

5) **Date of release of audited financial report:**April 14, 2014

6) **Company Website**

Does the company have a website disclosing up-to-date informationabout the following?

| | |
|---|---|
| Business operations | **Yes** |
| Financial statements/reports (current and prior years) | **Yes** |
| Materials provided in briefings to analysts and media | **Yes** |
| Shareholding structure | **Yes** |
| Group corporate structure | **Yes** |
| Downloadable annual report | **Yes** |
| Notice of AGM and/or EGM | **Yes** |
| Company's constitution (company's by-laws, memorandum and articles of association) | **Yes** |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

| RPT | Relationship | Nature | Value |
|---|---|---|---|
| The Company did not engage in any transaction with related parties. | | | |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

| | |
|---|---|
| **Quorum Required** | At least a majority of the outstanding capital stock unless a higher quorum requirement is provided under the law for certain corporate actions such as amendment of the articles of incorporation, etc. |

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|---|---|
| **System Used** | Voting |
| **Description** | Viva voce voting is done unless actual balloting is required. |

#### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.None

| Stockholders' Rights under The Corporation Code | Stockholders' Rights not in The Corporation Code |
|---|---|
| | |

Dividends

| Declaration Date | Record Date | Payment Date |
|---|---|---|
| Not applicable. | | |

#### (d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees.Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| 2. Measures Adopted | 3. Communication Procedure |
|---|---|
| Stockholders are given the chance to inquire on the management report and financial reports of the Company. | A question and answer portion is allotted during annual stockholders' meetings. |

**4. State the company policy of asking shareholders to actively participate in corporate decisions regarding:**

a. Amendments to the company's constitution
b. Authorization of additional shares
c. Transfer of all or substantially all assets, which in effect results in the sale of the company

These matters require the vote of stockholders. The Company ensures that proper notice are sent to the stockholders in accordance with the requirements under the SRC and the Manual on Corporate Governance.

**5. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?**

The Company complies with the at least 15 business days prior written notice requirement under the SRC. In practice, notices are sent one calendar month prior to the meeting.

a. Date of sending out notices:June 13-16,2014

b. Date of the Annual/Special Stockholders' Meeting: July 9, 2014

6. **State, if any, questions and answers during the Annual/Special Stockholders' Meeting**.

7. **Result of Annual/Special Stockholders' Meeting's Resolutions**

| (a) Resolution | (b) Approving | (c) Dissenting | (d) Abstaining |
|---|---|---|---|
| Approval of the minutes of the previous annual meeting of stockholders held on Sept 19, 2013. | 593,128,997 votes (85.96%) | none | none |
| Ratification of all the acts and resolutions of the Board of Directors and Officers. | 593,128,997 votes (85.96%) | none | none |
| Approval of the delegation of Authority to appoint independent auditors to the board of directors. | 593,128,997 votes (85.96%) | none | none |
| Election of Directors | 593,128,997 votes (85.96%) | none | none |

8. **Date of publishing of the result of the votes taken during the most recent AGM for all resolutions**:

The resultof the annual stockholders' meeting was immediately disclosed to PSE's on-line system (OdiSy) on the same date of the meeting–July 9, 2014.

**(e) Modifications**

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

| Modifications | Reason for Modification |
|---|---|
| None | |
| | |

**(f) Stockholders' Attendance**

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

| Type of Meeting | Names of Board members / Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|---|---|---|---|---|---|---|
| Annual | Isabelita P. Mercado<br>Gener T. Mendoza<br>Alfredo P. Javellana II<br>Antonio Victoriano Gregorio III<br>Francis Neil Mercado<br>Joseph Quintin Lao | July 9, 2014 | | 2.08% | 83.88% | 85.96% |

(ii) **Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?** Yes. The auditors are appointed to act as inspectors/ canvassers.

(iii) **Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares**. Yes, one vote per share. The Company has only one class of shares.

**(g) Proxy Voting Policies**

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

| | Company's Policies |
|---|---|
| Execution and acceptance of proxies | Must be in writing and sent to the Company in accordance with the deadline provided in the Definitive Information Statement and notice of meeting. Proxies of corporate stockholders should be accompanied by the requisite board resolution. |
| Notary | Not required |
| Submission of Proxy | In accordance with the deadline provided in the Definitive Information Statement and notice of meeting. |
| Several Proxies | In accordance with the SRC. |
| Validity of Proxy | Unless otherwise provided, valid only for the meeting indicated. |
| Proxies executed abroad | Same requirements with locally executed proxies. |
| Invalidated Proxy | Not counted but copies are kept |
| Validation of Proxy | Date of validation provided in the DIS |
| Violation of Proxy | To be dealt with in accordance with the Corporation Code |

**(h) Sending of Notices**

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies | Procedure |
|---|---|
| The company complies with SRC Rule 20. | |

**(i) Definitive Information Statements and Management Report**

| | |
|---|---|
| **Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials** | 123 stockholders |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners** | June 13-16, 2014 |
| **Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders** | June 13-16, 2014 |
| **State whether CD format or hard copies were distributed** | Hard copies |
| **If yes, indicate whether requesting stockholders were provided hard copies** | |

**(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:**

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | Yes |
| The auditors to be appointed or re-appointed. | Yes |
| An explanation of the dividend policy, if any dividend is to be declared. | N/A |
| The amount payable for final dividends. | N/A |
| Documents required for proxy vote. | Yes |

**Should any of the foregoing information be not disclosed, please indicate the reason thereto.**

The company has not paid dividends because the company only acquired its subsidiary last March 2013 and no operations in prior years.

**2) Treatment of Minority Stockholders**

**(a) State the company's policies with respect to the treatment of minority stockholders.**

| Policies | Implementation |
|---|---|
| Right to vote on all matters that require their consent or approval | One-share, one-vote, except in the election of directors where cumulative voting is allowed. |
| Right to inspect corporate books and records | In accordance with the Manual of Corporate Governance, By-Laws and the Corporation Code |
| Right to information | All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. |

(b) **Do minority stockholders have a right to nominate candidates for board of directors?** Yes.

**K. INVESTORS RELATIONS PROGRAM**

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.No formal policy yet.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with itsstockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

| | Details |
|---|---|
| (1) Objectives | Communicate to the key stakeholders the Company's performance for the year, its significant undertakings, and targets. |
| (2) Principles | To provide accurate and essential information to stockholders in a regular and consistent manner. |
| (3) Modes of Communications | Disclosures and meetings. |
| (4) Investors Relations Officer | Atty. Ana Maria A. Katigbak<br>Telephone No. (632) 81-6791 |

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. Not applicable.

L. **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Discuss any initiative undertaken or proposed to be undertaken by the company. None yet.

| Initiative | Beneficiary |
|---|---|
| | |
| | |
| | |

**M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President. Not applicable.

| | Process | Criteria |
|---|---|---|
| **Board of Directors** | | |
| **Board Committees** | | |
| **Individual Directors** | | |
| **CEO/President** | | |

**N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees. In accordance with the Manual on Corporate Governance.

| Violations | Sanctions |
|---|---|
| | |
| | |

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on APR 1 5 2015.

**SIGNATURES**

| | |
|---|---|
| **ISABELITA P. MERCADO**<br>Chairman and President | **ATTY. ALFREDO P. JAVELLANA II**<br>Independent Director |
| **WILLIAM D. TY**<br>Independent Director | **ATTY. ANA MARIA A. KATIGBAK**<br>Compliance Officer |

**SUBSCRIBED AND SWORN** to before me this APR 1 5 2015, affiant(s) exhibiting to me their Passport/Driver's License Number, as follows:

| NAME | PP NO./DL NO. | EXPIRY DATE | PLACE OF ISSUE |
|---|---|---|---|
| Isabelita P. Mercado | EB0236373 | May 18, 2015 | DFA, Manila |
| Alfredo P. Javellana II | DL N11-68-002984 | March 5, 2015 | East Ave., Quezon City |
| William D. Ty | EB4485284 | January 18, 2017 | DFA, Manila |
| Ana Maria A. Katigbak | EB6978724 | December 19, 2017 | DFA, Manila |

**NOTARY PUBLIC**

MARY MELANIE H. QUIÑO
NOTARY PUBLIC
UNTIL DEC. 31, 2015
PTR NO. 2276097 1/5/2015
IBP LIFETIME NO. 07535
ROLL NO. 53915
MCLE COMP. NO. IV-0007984

Doc No. 484
Page No. 97
Book No. V
Series of 2015