AS095-008557

MINERALES INDUSTRIAS CORPORATION

(Company's Full Name)

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

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

Atty. Ana Maria A. Katigbak
(Contact Person)

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

1	2		3	1

Month *Day*
(Fiscal Year)

SEC Form 17-Q
March 31, 2014

4th Wed of May

N/A
(Secondary License Type, If Applicable)

SEC
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.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER

I.C.T.D. SEC
3 MAY 15 2014
BY:

1. For the calendar year ended: **March 31, 2014**

2. SEC Identification Number: AS095-008557

3. BIR Tax Identification Number: 049-004-636-077

4. Exact name of issuer as specified in its charter: **MINERALES INDUSTRIAS CORPORATION**

5. Pasig City, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code

7. Unit 103, Ground Flr., Prestige Tower Condominium, F. Ortigas, Jr., Avenue, Ortigas Center, Pasig City
   Address of principal office — Postal Code

8. (632) 817-6791/897-5257
   Issuer's telephone number, including area code

9. Room 322 LRI Design Plaza, 210 Nicanor Garcia St., Makati City
   Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P 1.00 par value	**690,000,000**

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

    Yes [x]   No [ ]

    The Philippine Stock Exchange   Common Stock

12. Check whether the issuer:

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

    Yes [x]   No [ ]

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

    Yes [x]   No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; 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. BEST is also targeting to tap the specialized waste handling and disposal requirements of the various industrial zones located all over the country.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

First Quarter Ended March 31, 2014 Compared to First Quarter Ended March 31, 2013

<u>Income</u>

Total consolidated income for the quarter ending March 31, 2014 amounted to Php71.20 million, 6% lower than the Php75.41 million posted in the same period of 2013. This is attributable mainly to the decrease in revenues from tipping and hauling services.

<u>Expenses</u>

Cost of services for the first quarter of 2014 amounted to Php40.47 million, up 23% from the Php32.77 million in the same period of 2013. Increases in cost resulted mainly from higher expenses for equipment rental and fuel and lubricants.

General and administrative expenses dipped by a slight 4%, from Php9.28 million in 2013 to Php8.89 million this year. This was mainly due to decreases in depreciation and other operating expenses. Interest expense also decreased by 36%, from Php1.05 million in the first quarter of 2013 to Php.69 million in the same period of 2014.

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 March 2013.

Net Income

The first three months of 2014 resulted to a net income after tax of Php14.87 million, from the net loss of Php2.64 million reported in the same period of 2013, said loss attributable to the listing expense of Php25.22 million recognized last year.

Financial Position as of March 31, 2014 Compared to Financial Position as of December 31, 2013

Statements of financial position data	March 31, 2014	December 31, 2013	% Inc/(Dec)
Total Current Assets	492,938,639	568,709,220	(13%)
Total Assets	978,047,876	1,033,934,372	(5%)
Total Current Liabilities	248,597,960	319,895,106	(22%)
Total Liabilities	248,773,827	320,070,974	(22%)
Total Stockholders' Equity	729,274,049	713,863,398	2%

The Company's consolidated total assets declined by 5% from Php1.03 billion as of December 31, 2013 to Php978 million as of March 31, 2014.

- Cash and cash equivalents decreased by 60% from Php35.24 million as of December 31, 2013 to Php14.24 million as of March 31, 2014. The decrease was mainly due to the settlement of short term liabilities.

- Trade and other receivables went up by 10% from Php407.58 million as of December 31, 2013 to Php448.69 million as of March 31, 2014. This is mainly attributable to the increase in contract services the company entered into during the first three months of 2014.

- Other current assets rose by 21% from Php24.40 million as of December 31, 2013 to Php29.46 million as of March 31, 2014 due to the provision for impairment on its prepaid taxes, creditable withholding tax and input VAT.

- Noncurrent assets slightly went up by 4% from Php465.23 million as of December 31, 2013 to Php485.11 million as of March 31, 2014 due to the annual set-up of depreciation and amortization.

Total consolidated liabilities posted a 22% decrease, from Php320.07 million as of December 31, 2013 to Php248.77 million as of March 31, 2014. The decrease was mainly due to the settlement of the Company's obligations.

Total stockholders' equity slightly went up by 2% from P713.86 million as of December 31, 2013 to Php729.27 million as of March 31, 2014.

Current ratio increased from 1.78x as of December 31, 2013 to 1.98x as of March 31, 2014 due to the settlement of the Company's short term obligations. Net working capital thus stood at Php244.34 million as of March 31, 2014 versus the Php248.81 million as of December 31, 2013.

Liquidity and Capital Resources

For the quarter ended March 31, 2014, net cash provided by operations amounted to Php8.46 million as compared to the Php524.99 million net cash used in operations in the same period of 2013. The difference is on account of the substantial amount of obligations to related parties that were settled last year.

In 2014, net cash provided by investing activities amounted to Php71.2 million, representing the Php101.22 million decreases in short-term deposits net of the Php30 million equity investment in Ecoedge Resources Corp. (ERC). Net cash used in financing activities amounted to Php100.7 million resulting from the payment of bank loans.

In 2013, net cash provided by financing activities amounted to Php500 million representing the subscription payment from the IPM group of companies.

Key Performance Indicators

Since the consolidation only commenced in March 2013, its key performance indicators are as follows:

KPI	**Calculation**	March 31, 2014	December 31, 2013
Current Ratio (1)	Current Assets/Current Liabilities	1.98x	1.78x
Quick Ratio (2)	Cash /Current Liabilities	0.06x	0.11x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	0.34x	0.45x
Book Value per share (4)	Total Assets –Total Liabilities/ Outstanding Shares	1.06	1.03
Net Income per Share (5)	Net Loss/Weighted Average Number of Shares Outstanding	0.02	0.09

		March 31, 2014	December 31, 2013
(1)	Current Ratio	492,938,639/248,597,960	568,709,220/319,895,106
(2)	Quick Ratio	14,244,562/248,597,960	35,236,582/319,895,106
(3)	Debt to Equity	248,773,838/729,274,049	320,070,974/713,863,399
(4)	Book Value/Share	729,274,049/690,000,000	713,863,399/690,000,000
(5)	Income per Share	14,872,024/690,000,000	41,532,369/469,452,055

The Current Ratio is the general 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.

Loss per Share is computed by dividing the net loss by the weighted average number of common shares outstanding.

Other Matters

No disclosures nor discussions were made for the following since these did not affect the past and present operations or the foreseeable future operations of the Company:

(a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2-Management's Discussion and Plan of Operations.

(b) Any material commitments for capital expenditures, the general purpose of the commitments and the expected sources of funds for the expenditures.

(c) Any known trends, events, or uncertainties that have had or that reasonably expected to have a material favorable or unfavorable impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;

(d) Any significant elements of income or loss that did not arise from the Company's continuing operations;

(e) Any seasonal aspects that have material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

Not Applicable

S I G N A T U R E S

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

Issuer : **MINERALES INDUSTRIAS CORPORATION**

ISABELITA P. MERCADO
Chairman & President

FRANCIS NEIL P. MERCADO
Treasurer

May 13, 2014

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31-Mar-14	31-Dec-13
	Unaudited	Audited
ASSETS		
Current Assets		
Cash (Note 4)	**₱14,244,562**	₱35,236,582
Receivables – (Note 5)	**448,686,869**	407,583,764
Due from a related party (Note 14)	**547,351**	266,960
Short-term deposits (Note 6)	**-**	101,219,867
Other current assets (Note 7)	**29,459,857**	24,402,047
Total Current Assets	**492,938,639**	₱568,709,220
Non-Current Assets		
Investments in an associate and a joint venture (Note 8)	**75,657,677**	44,443,137
Deposits (Note 9)	**3,155,365**	3,155,365
Investment property (Note 10)	**37,159,067**	37,434,319
Property and equipment – net (Note 11)	**369,137,128**	380,192,331
Total Non-Current Assets	**485,109,237**	465,225,152
Total Assets	**₱978,047,876**	₱1,033,934,372
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱140,388,801**	111,403,914
Due to related parties (Note 14)	**102,521,802**	102,521,802
Income tax payable	**5,687,356**	5,969,390
Loans payable		100,000,000
Total Current Liabilities	**248,597,959**	319,895,106
Noncurrent Liability		
Net pension liability (Note 17)	**175,868**	175,868
Total Liabilities	**₱248,773,827**	₱320,070,974
Equity Attributable to Equity Holders of Parent		
Capital stock (Note 13)	**690,000,000**	690,000,000
Retained earnings		
Unappropriated	**80,493,678**	69,111,315
Appropriated	**14,803,219**	14,803,219
Other reserves	**(298,746,540)**	(298,746,540)
	486,550,357	475,167,994
Noncontrolling Interests	**242,723,692**	238,695,404
Total Equity	**729,274,049**	713,863,398
TOTAL LIABILITIES AND EQUITY	**₱978,047,876**	₱1,033,934,372

See accompanying Notes to Financial Statements

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF INCOME

	Quarters Ended March 31	
	2014	2013 (As restated- Unaudited
INCOME		
Service Income (Note 20)	**69,061,447**	75,384,284
Equity in net earnings of an associate (Note 8)	**1,408,793**	
Interest Income	**727,623**	21,633
	71,197,862	75,405,917
EXPENSES		
Cost of services (Note 15)	**40,466,958**	32,773,227
General and administrative expenses (Note 16)	**8,893,677**	9,279,389
Interest expense	**668,545**	1,050,000
Listing expense (Note1)	**-**	25,221,570
Equity in net loss of a joint venture	**194,253**	
	50,223,433	68,324,186
INCOME (LOSS) BEFORE INCOME TAX	**20,074,429**	7,081,731
PROVISION FOR INCOME TAX	**6,102,404**	9,718,097
NET INCOME (LOSS)	**₱14,872,025**	(₱2,636,366)
Attributable to:		
Equity holders of the Parent Company	**10,843,737**	(8,303,507)
Non-controlling interests	**4,028,288**	5,667,141
	14,872,025	(2,636,366)
Earnings/(Loss) Per Share (Notes 18)	**₱0.022**	**(₱0.0038)**

See accompanying Notes to Financial Statements.

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended March 31	
	2014	2013 (As restated- Unaudited
NET INCOME (LOSS)	**14,872,025**	(₱2,636,366)
OTHER COMPREHENSIVE INCOME (LOSS)		
TOTAL COMPREHENSIVE INCOME/(LOSS)	**₱14,872,025**	(₱2,636,366)
Attributable to:		
Equity holders of the Parent Company	**10,843,737**	(8,303,507)
Non-controlling interests	**4,028,288**	5,667,141
	14,872,025	(2,636,366)

See accompanying Notes to Financial Statements.

NERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 8)	Deposit for Future Stock Subscriptions	Retained Earnings-Unappropriated (Note 8)	Retained Earnings-Appropriated (Note 5)	Equity Reserve	Actuarial Losses on Defined Benefit Obligations	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
Effect of reverse acquisition			538,626					538,626
Net income for the first quarter			10,843,737	–			4,028,288	14,872,025
At March 31, 2014	₱690,000,000		₱80,493,678	14,803,219	(₱298,498,391)	(₱248,149)	242,723,692	₱729,274,049
At January 1, 2013								
As restated	₱190,000,000		₱61,034,899	₱14,803,219	(₱120,000,000)	(8,697)		₱145,829,421
Effect of reverse acquisition			(15,219,371)		(178,498,391)		220,219,371	26,501,609
Increase in paid up capital of Parent	500,000,000							500,000,000
Net income			23,295,787				18,555,850	41,851,637
Other comprehensive loss						(239,452)	(79,817)	(319,269)
At December 31, 2013	690,000,000		69,111,315	₱14,803,219	(₱298,498,391)	(₱248,149	₱238,695,404	₱713,863,398
At January 1, 2013								
As restated	₱190,000,000		₱61,034,899	₱14,803,219	(₱120,000,000)	(8,697)		₱145,829,421
Effect of reverse acquisition			(15,219,371)		(178,498,391)		220,219,371	26,501,609
Deposit for future stock subscriptions		500,000,000						500,000,000
Net income/(loss) for the first quarter			(8,303,507)				5,667,141	(2,636,366)
At March 31, 2013	₱190,000,000	₱500,000,000	₱37,512,021	₱14,803,219	(₱298,498,391)	(₱8,697)	₱225,886,512	₱669,694,664

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income before income tax	**₱20,974,429**	₱7,081,731
Adjustments for:		
Depreciation and amortization	**11,303,671**	12,973,811
Listing expense		25,221,570
Equity in net loss (earnings) of an associate and a joint venture	**(1,214,540)**	
Interest expense	**668,545**	
Interest income	**(727,622)**	(21,633)
Operating income before changes in working capital	**31,004,483**	45,255,479
Changes in operating assets and liabilities		
Increase in trade and other receivables	**(41,103,105)**	(63,216,513)
Increase in due to related party	**(280,391)**	
Increase in prepaid and other current assets	**(5,031,026)**	(233,416)
Increase (decrease) in trade and other payables	**29,241,479**	(497,098,165)
Net cash generated from (used in) operations	**13,831,440**	(515,292,615)
Interest received	**727,622**	21,633
Income tax paid	**(6,102,404)**	(9,718,098)
Net cash provided by (used in) operating activities	**8,456,658**	(524,989,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition through business combination of a subsidiary –net of cash acquired		(12,500,000)
Decrease in short term deposit	**101,219,867**	
Investment in joint venture	**(30,000,000)**	
Net cash provided by (used in) investing activities	**71,219,867**	(12,500,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits for future stock subscriptions		500,000,000
Payment of bank loan	**(100,000,000)**	
Interest expense paid	**(668,545)**	
Net cash provided by financing activities	**(100,668,545)**	500,000,000
NET INCREASE (DECREASE) IN CASH	**(20,992,020)**	(37,489,079)
CASH AT BEGINNING OF PERIOD	**35,236,582**	105,390,851
CASH AT END OF PERIOD (Note 4)	**₱14,244,562**	₱67,901,773

See accompanying Notes to Financial Statements.

MINERALES INDUSTRIAS CORPORATION

PARENT COMPANY INTERIM STATEMENTS OF FINANCIAL POSITION

	31-Mar-14	31-Dec-13
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**₱7,681,111**	₱32,231,690
Other current assets – net	**422,951**	13,333
Total current assets	**8,104,062**	32,245,023
Noncurrent Assets		
Investments in subsidiary	**615,000,000**	615,000,000
Total Assets	**₱623,104,062**	647,245,023
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other payables	**590,341**	₱615,176
Subscription payable	**₱129,625,000**	152,500,000
Total Liabilities	**130,215,341**	153,115,176
Stockholders' Equity		
Capital stock	**690,000,000**	690,000,000
Deficit	**(197,111,279)**	(195,870,153
Total Equity	**492,888,721**	494,129,847
	₱623,104,062	₱647,245,023

MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY INTERIM STATEMENTS OF INCOME

	Quarters Ended March 31	
	2014	2013
INCOME		
Interest	**₱46,331**	₱21,633
	46,331	21,633
EXPENSES		
Professional fees	**798,725**	53,019
Stock exchange listing fee	**137,178**	62,500
Salaries and wages	**122,000**	107,000
Directors' per diem	**80,000**	
Utilities	**45,000**	45,000
Entertainment, amusement and recreation	**39,442**	40,138
Taxes and licenses	**29,668**	9,341
Transportation	**11,061**	11,771
Office supplies and printing costs	**5,619**	39,151
Advertising	**-**	22,275
Postage & telegram	**-**	13,163
Miscellaneous	**9,499**	12,520
	1,278,192	415,878
LOSS BEFORE INCOME TAX	**1,231,861**	394,245
PROVISION FOR INCOME TAX	**9,266**	4,327
NET LOSS	**₱1,241,127**	₱398,572
Basic/Diluted Loss Per Share (Note 11)	**₱0.0018**	₱0.0021

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MINERALES INDUSTRIAS CORPORATION

PARENT COMPANY INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended March 31	
	2014	2013
NET LOSS	**(₱1,241,127)**	(₱398,572)
OTHER COMPREHENSIVE INCOME (LOSS)		
TOTAL COMPREHENSIVE LOSS	**(₱1,241,127)**	(₱398,572)

MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY INTERIM STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Deposit for Future Stock Subscriptions	Deficit	Total
At January 1, 2014	₱690,000,000		(₱195,870,153)	₱494,129,847
Net loss for the period	–		(1,241,127)	(1,241,127)
At March 31, 2014	**₱690,000,000**		**(₱197,111,279)**	**₱492,888,721**
At January 1, 2013	₱190,000,000		(₱188,411,388)	₱1,588,612
Deposit for future stock subscriptions		500,000,000	–	500,000,000
Net loss for the period	–		(398,572)	(398,572)
At March 31, 2013	₱190,000,000	500,000,000	(₱188,809,959)	₱501,190,041

MINERALES INDUSTRIAS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Quarters Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱1,231,861)**	(₱394,245)
Adjustments for:		
Interest income	**(46,331)**	(21,633)
Operating loss before changes in working capital	**(1,278,192)**	(415,878)
Changes in operating assets and liabilities		
Increase in other current assets	**(409,618)**	(233,416)
Decrease in accrued expenses and other payables	**(24,834)**	(10,306)
Net cash used in operations	**(1,712,644)**	(659,600)
Interest received	**46,331**	21,633
Income tax paid	**(9,266)**	(4,327)
Net cash used in operating activities	**(1,675,579)**	(642,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment in subsidiary	**-**	(462,500,000)
Payment of unpaid subscriptions	**(22,875,000)**	-
Net cash provided by investing activities	**(22,875,000)**	(462,500,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits for future stock subscriptions	**-**	500,000,000
Net cash provided by financing activities	**-**	500,000,000
NET INCREASE (DECREASE) IN CASH	**(24,550,579)**	36,857,707
CASH AT BEGINNING OF PERIOD	**32,231,689**	1,693,736
CASH AT END OF PERIOD	**₱7,681,111**	₱38,551,443

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

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

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

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

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

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

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

On March 4, 2013, the Parent Company acquired 615,000,000 shares in BEST representing 75%

interest and paid ₱462,500,000. Subscription payable as of December 31, 2013 amounted to ₱152,500,000.

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

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

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

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

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

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

The Parent Company's unissued authorized capital stock amounted to ₱50,000,000 as of March 31, 2014.

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of March 31, 2014 and December 31, 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, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized as "Provision for impairment losses" in profit or loss. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables", "Short-term deposits" and "Due from a related party".

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

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

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

<u>Offsetting of Financial Instruments</u>
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.

<u>Impairment of Financial Assets</u>

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.

Fair Value

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

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

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

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

Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment Property

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition

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

Service income

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

Rental income

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

Interest income

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

Costs and Expenses

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

Cost of services

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

General and administrative expenses

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

Leases

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

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

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

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

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

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

Defined retirement costs comprise the following:

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

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

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

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

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

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

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

Income tax

Current tax

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

Deferred tax

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

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

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

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

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

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

Value-added tax (VAT)

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

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

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

Operating Segment

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

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.

3. Significant Accounting Judgments and Use of Estimates

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

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

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

Assessment of control
The Parent Company classifies its investee companies as subsidiary if the Parent Company achieves control over the companies. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the event the Parent Company loses this power, the Parent Company will have to change the classification of its investment in investee companies.
In identifying the accounting acquirer of the Group, the key determinant considered is the power to govern the financial and operating policies of the other so as to obtain benefits from its activities. BEST is the combining entity whose owners as a group received the largest portion of the voting rights in the Group, hence, is regarded as the accounting acquirer.

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

Distinction between investment properties and owner-managed properties
The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity or for capital appreciation.

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

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

Allowance for doubtful accounts
The Group maintains allowance for doubtful accounts on its receivables at a level adequate to provide for any potential uncollectible receivables. The level of this allowance is regularly evaluated by the Group. The Group assesses whether objective impairment exists for the receivable by considering the financial condition and credit history of the counterparty. Moreover, the Group also considers its historical loss experience in assessing collective impairment of receivables. The Group reviews the status of the receivables and identifies amounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the Group's allowance for doubtful accounts on receivables would increase the Group's recorded expenses and decrease current assets.

Estimated useful lives of investment property and property and equipment
The useful life of each of the Group's items of investment property and property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each item of investment property and property and equipment is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any investment property and property and equipment would increase the recorded general and administrative expenses and decrease non-current assets.

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

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

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.

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

4. Cash and Cash Equivalents

This account consists of:

	March 31, 2014	December 31, 2013
Cash on hand	**₱65,184**	₱60,184
Cash in banks	**14,179,378**	5,115,690
Cash equivalents		30,060,708
	₱14,244,562	₱35,236,582

5. Receivables

This account consists of:

	March 31, 2014	December 31, 2013
Trade and nontrade receivables		
Related parties	**₱422,102,166**	₱380,367,901
Government	**18,445,673**	18,712,849
Private entities	**5,871,655**	5,660,037
	446,419,494	404,740,787
Advances to suppliers	**2,056,692**	2,653,799
Advances to officers and employees	**210,684**	189,178
Others	**1,066,172**	1,066,172
	449,753,041	408,649,936
Less allowance for impairment losses	**1,066,172**	1,066,172
	₱448,686,869	₱407,583,764

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

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

6. Short-Term Deposit

This account pertains to the Group's short-term deposit made by BEST with Metropolitan Bank & Trust Company (MBTC) amounting to₱100,000,000 in relation to the back-to-back loan credit accommodation obtained by BEST from MBTC on December 28, 2012. This deposit, including the accrued interest, is restricted and can be withdrawn, transferred or encumbered only with a written consent of the Bank, unless the loans or any part thereof, including interest and other charges thereon, shall have been fully paid or discharged. On March 21, 2014, BEST paid the loan from MBTC using the short-term deposit.

7. Other Current Assets

This account consists of:

	March 31, 2014	December 31, 2013
Input VAT	**₱24,772,547**	₱22,836,566
Prepaid taxes	**7,579,369**	4,599,910
Creditable withholding taxes	**1,137,430**	1,137,430
Prepaid insurance	**47,286**	87,429
Prepaid rent	**90,000**	90,000
Prepaid Maintenance	**272,513**	
Miscellaneous deposits	**15,669**	15,669
	33,914,814	28,767,004
Less allowance for impairment losses	**4,364,957**	4,364,957
	₱29,459,857	₱24,402,047

MIC provided an allowance for impairment on its prepaid taxes, creditable withholding tax and input VAT amounting to ₱4,364,957 as of December 31, 2013, due to low probability that these assets may be utilized in the future.

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

This account consists of:

	March 31, 2014	December 31, 2013
Acquisition cost	**₱35,205,858**	₱35,205,858
Accumulated share in net earnings:		
Balance at beginning of year	**9,237,279**	9,460,919
Equity in net earnings of associate and joint venture	**1,214,540**	(223,640)
Investment on stock	**30,000,000**	–
	40,451,819	9,237,279
	₱75,657,677	₱44,443,137

9. Deposits

As of March 31, 2014 and December 31, 2013, BEST has investments in surety bond of GSIS amounting to ₱3,155,365. The investment was 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 entered into an agreement to lease out part of its building. The cost and accumulated depreciation of the transferred building are allocated based on the area (in square meters) of the space leased out.

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

Cost	
Transfer from property and equipment	₱38,535,329
Accumulated depreciation	
Depreciation	1,376,262
	1,376,262
Net book value	₱37,159,067

11. Property and Equipment-net

The movement of property and equipment as of March 31, 2013 are as follows:

	Transportation Equipment	Office Equipment	Development Cost-Payatas	Development Cost-Morong	Condo Unit	Land	Total
Beginning	95,372,255	731,056	99,589,940	34,601,209	34,451,395	115,252,700	379,998,555
Add : New Acquisition							-
Total	95,372,255	731,056	99,589,940	34,601,209	34,451,395	115,252,700	379,998,555
Less: Accumulated Depreciation	3,616,000	124,363	4,123,765	2,743,979	253,319		10,861,426
Net Book Value 2013	91,756,255	606,693	95,466,175	31,857,230	34,198,076	115,252,700	369,137,129

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

12. Trade and Other Payables

This account consists of:

	March 31, 2014	December 31, 2013
Trade payable		
Related parties	**₱72,957,054**	₱51,618,768
Third parties	**5,860,179**	5,657,564
	78,817,233	57,276,332
Accrued expenses	**2,246,394**	2,971,365
Taxes payable	**59,325,174**	51,156,217
	₱140,389,801	₱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 non-interest-bearing, no collateral and have no fix term of repayment.

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

13. Equity

Capital Stock

The authorized capital stock of MIC follows:

	March 31, 2014	December 31,2013
Authorized number of shares:		
At the beginning of the year	**240,000,000**	240,000,000
Increase in shares authorized to issue	**500,000,000**	500,000,000
	740,000,000	740,000,000
Number of shares issued and outstanding:		
At the beginning of the year	**190,000,000**	190,000,000
Issuance of shares of stock	**500,000,000**	500,000,000
	690,000,000	690,000,000

Retained earnings (deficit)

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

The details of MIC's deficit are as follows:

	March 31, 2014	December 31, 2013
Balance at beginning of year	**₱195,870,153**	₱188,411,388
Net loss during the period	**1,241,126**	7,458,765
	197,111,279	₱195,870,153

14. 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:

Category	March 31, 2014	December 31, 2013
Trade receivables:		
IPMCDC (a)	₱44,314,348	₱42,726,753
IPMESI (b)	**376,020,793**	336,617,523
IPMRDC (c)	**1,767,025**	1,023,625
IPM Trading (d)		–
	422,102,166	₱380,367,901
Due from Joint Venture	**547,351**	266,960
Due to related parties:		
IPMCDC (g)(h)	**₱100,000,000**	₱100,000,000
IPMESI (g)	**2,279,908**	2,279,908
IPMRDC (g)	**241,894**	241,894
	₱102,521,802	₱102,521,802

15. Cost of Services

This account consists of:

	March 31, 2014	December 31, 2013
Rent	**14,853,040**	₱46,558,877
Depreciation and amortization	**11,303,671**	32,889,953
Contract costs	**7,209,984**	29,958,507
Repairs and maintenance	**1,963,344**	24,060,874
Fuel and oil	**3,852,930**	17,349,510
Materials and tools	**319,494**	9,712,638
Salaries and wages	**1,160,627**	4,734,835
Taxes and licenses	**337,175**	813,224
Entertainment, amusement and recreation	**1,893**	389,678
Supplies	**1,922,954**	271,403
Utilities	**74,734**	223,939
Transportation and travel	**148,809**	115,066
Insurance	**27,943**	32,326
Professional fees		18,634
Others	**46,476**	169,891
	₱40,466,958	₱167,299,355

16. General and Administrative Expenses

This account consists of:

	March 31 2014	December 31, 2013
Taxes and licenses	**2,206,033**	₱8,294,871
Salaries, wages and employee benefits	**1,957,965**	7,064,978
Stock exchange listing fee	**137,178**	2,026,593
Professional fees	**1,206,658**	1,560,025
Utilities	**273,933**	899,358
Office supplies and printing costs	**62,533**	703,708
Repairs and maintenance	**27,926**	349,770
Provision for impairment loss		308,371
Entertainment, amusement and recreation		304,750
Transportation and travel	**77,171**	301,943
Rent		278,445
Directors' per diem	**80,000**	220,000
Fuel and oil	**9,006**	80,463
Depreciation	**2,767,498**	48,445
Others	**48,335**	532,706
	8,893,677	₱22,974,426

17. Pension Plan

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

	2013		
	Present value of defined benefit obligation	Fair value of plan assets	Net pension liability
At January 1, as restated	**₱145,616**	**₱–**	**₱145,616**
Benefit cost in profit or loss			
Current service cost	**44,670**	**–**	**44,670**
Net interest expense	**8,242**	**–**	**8,242**
Remeasurements in other comprehensive income			
Actuarial loss on defined benefit obligation	**319,269**	**–**	**319,269**
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 expects to contribute ₱175,000 to the defined benefit pension plan in 2014.

18. Basic/Diluted Loss per Share

Basic/diluted loss per share was computed as follows:

	March 31, 2014	December 31, 2013
Net income (a)	**₱14,872,025**	**₱41,851,637**
Weighted average number of outstanding common share (b)	**690,000,000**	**469,452,055**
Basic/diluted loss per share (a/b)	**₱0.02**	**₱0.09**

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

19. 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:

	March 31, 2014	December 31, 2013
Loans and receivables:		
Cash and cash equivalents*	**₱14,184,378**	₱35,176,398
Trade receivables	**446,419,494**	404,740,787
Due from a related party	**547,351**	266,960
Short-term deposit		101,219,867
	₱461,151,223	₱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 March 31, 2014 and December 31, 2013.

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

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

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

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

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.

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

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

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

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

Fair Value Information
The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of March 31, 2014 and December 31, 2013:

	March 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱14,244,562**	**₱14,244,562**	₱35,236,582	₱35,236,582
Trade receivables	**446,419,494**	**446,419,494**	404,740,787	404,740,787
Due from a related party	**547,351**	**547,351**	266,960	266,960
Short-term deposit			101,219,867	101,219,867
	₱461,211,407	**₱461,211,407**	₱541,464,196	₱541,464,196
Financial liabilities				
Trade and other payables (excluding taxes payable)	**₱81,063,627**	**₱81,063,627**	₱60,247,697	₱60,247,697
Due to related parties	**102,521,802**	**102,521,802**	102,521,802	102,521,802
Loans payable			100,000,000	100,000,000
	₱183,585,429	**₱183,585,429**	₱262,769,499	₱262,769,499

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

20. 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:

	March 31, 2014				
	Investment Holding	**Service**	**Combined**	**Eliminations**	**Consolidated**
Revenue	**₱46,330**	**₱71,151,532**	**₱71,197,862**		**₱71,197,862**
Income (loss) before tax	**(1,231,861)**	**22,206,289**	**20,974,428**		**20,974,428**
Provision for income tax	**9,266**	**6,093,138**	**6,102,404**		**6,102,404**
Net income (loss)	**(1,241,127)**	**16,113,152**	**14,872,025**		**14,872,025**
Other Information					
Segment assets	**623,104,062**	**969,943,814**	**1,593,047,876**	**615,000,000**	**978,047,876**
Segment liabilities	**130,215,341**	**248,007,618**	**378,222,959**	**129,625,000**	**248,597,959**
Depreciation and amortization		**11,303,671**	**11,303,671**		**11,303,671**

	December 31, 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.

MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY
FINANCIAL SOUNDNESS INDICATORS

FSI	Calculation	March 31, 2014	December 31, 2013
Current Ratio	Current Assets/Current Liabilities	1.98x	1.78
Quick Ratio	Cash /Current Liabilities	1.95x	1.76
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	.34x	.45
Asset to Equity Ratio	Assets/Stockholders' Equity	1.34x	1.45
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	31.03	18.52
Gross Profit Margin	Gross Profit/Revenues	0.43	0.43
Book Value per share	Stockholders' Equity/ Outstanding Shares	1.06	1.03
Income (Loss) per Share	Net Income/(Loss)/Weighted Average Number of Shares Outstanding	0.02	0.09

	31-Mar-14	December 31, 2013
Current Ratio	492,938,639/248,597,959	568,709,220/319,895,106
Quick Ratio	485,039,472/248,597,959	563,931,881/319,895,106
Debt-to-Equity Ratio	248,773,838/729,274,049	320,070,974/713,863,398
Asset to Equity Ratio	978,047,876/729,274,049	1,033,934,372/713,863,398
Interest Coverage Ratio	20,742,974/668,545	78,017,917/4,211,535
Gross Profit Margin	30,003,281/70,470,230	124,732,726/292,032,081
Book Value/Share	729,274,049/690,000,000	713,863,399/690,000,000
Income (Loss) per Share	14,872,024/690,000,000	41,532,369/469,452,055

Income from Tipping Fee	18,445,673	293,398		18,152,275	
Hauling Income	2,797,269	649,704	1,034,737	472,493	640,334
Composting / Waste Process	28,887,716	560,000	3,339,050	2,299,750	22,688,916
Consultancy / Field Services	396,150,340	21,951,775	45,983,797	5,501,019	322,713,750
Others	2,405,871				2,405,871