

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

November 14, 2013

**Philippine Stock Exchange Inc.**  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Metro Manila

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

Re: **SEC form 17-Q -Third Quarterly Report**

Gentlemen:

We submit herewith the Third Quarterly Report under SEC form 17-Q for the quarter ended September 30, 2013 that we filed with the Securities and Exchange Commission.

Thank you.

Very truly yours,

  
Ana Maria A. Katigbak  
Corporate Secretary  
and Compliance Officer

## COVER SHEET

AS 095 - 0085573

SEC Registration Number

MINERALES INDUSTRIAS  
CORPORATION

(Company's Full Name)

UNIT 103 GROUND FLOOR PRESTIGE  
TOWER CONDOMINIUM F. ORTIGAS JR  
AVENUE ORTIGAS CENTER PASIG

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

Atty. Ana Katigbak  
Contact Person817 6791 to 95  
Company Telephone Number

1 2

Month  
Fiscal Year

3 1

Day

SEC Form 17-Q  
September 30, 2013

FORM TYPE

Month  
Annual Meeting

Secondary License Type, If Applicable

C F D

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**

1. For the quarterly period ended: September 30, 2013
2. SEC Identification Number: AS095-008557
3. BIR Tax Identification Number: 049-004-636-077
4. **MINERALES INDUSTRIAS CORPORATION**  
Exact name of issuer as specified in its charter
5. **Pasig City, Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: ☐ (SEC Use Only)
7. **Unit 103 Ground Floor Prestige Tower Condominium F. Ortigas Jr. Avenue,  
Ortigas Center Pasig City**  
Address of issuer's principal office Postal Code:
8. **(632) 897-5257/817-6791**  
Issuer's telephone number, including area code
9. **Room 322 LRI Design Plaza 210 N. Garcia St., Makati City, 1200**  
Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
 

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	690,000,000 shares
11. Are any or all of Corporation's Securities Listed with the Philippine Stock Exchange?
 

Yes (√)	No ( )
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A total of 190,000,000 shares of the Corporation are currently listed with the Philippine Stock Exchange. A total of 500,000,000 shares are approved for listing.
11. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder of Section 11 of the RSA Rule 11 (a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period 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.

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.

#### **Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012**

##### Income

Total consolidated revenues for the nine-month period ending September 30, 2013 amounted to Php173.15 million, broken down as follows: income from tipping fee of Php 3.35million (1.94% of total revenues) earned from the operation of the Morong Sanitary Landfill; income from composting/waste processing services of Php3.5 million (2.02% of total revenues); consultancy/field services income of Php149 million (86.05% of the total revenues) from the management and maintenance of the Quezon City Sanitary Landfill; and hauling income of Php17.30 million (9.99% of total revenues). In contrast, no significant income was recognized for the same period of 2012.\*

##### Cost of Services

Cost of services for the first nine months of 2013 amounted to Php92 million composed of cost of labor, materials, utilities, equipment rentals, licenses and permit and other expenses incurred in the delivery of services. No cost of services was incurred in the same period of 2012.

\* For purposes of consolidation, only income and expenses of Basic Environmental Systems and Technologies, Inc (BEST) from March 2013 is consolidated into the Company's results for the first three quarters of 2013 since the Company acquired the 75% interest in BEST on March 4, 2013.



### Operating expenses

Operating expenses for the first nine months of 2013 amounted to Php22.92 million consisting of administrative expenses incurred in its operation. This is 1739% higher than the Php1.25 million reported in the same period of 2012 due to the consolidation of the results of operations of Basic Environmental Systems and Technologies, Inc. (BEST) from March 2013.

### Net Income

The first nine months of 2013 resulted into a net income after tax of Php39.11 million, including the Php11.22 million net income after tax attributable to non-controlling interests, as compared to the net loss of Php1.19 million reported for same period in 2012, the difference again owing to the consolidation of BEST's operating results into the financial statements of the Company from March 2013.

### Liquidity and Capital Resources

For the nine-month period ending September 30, 2013, net cash used in operations totaled Php8.90 million including the net income before tax of Php58.36 million and the depreciation and amortization of Php24.94 million. Prepaid and other current assets went up by Php86.63 million, while accrued expenses and other payables decreased by a Php5.56 million. Acquisition through business combination of a subsidiary, net of said subsidiary's cash balance, amounted to Php59.76 million.

For the same period in 2012, net cash used in operations totaled Php1.43 million including the net loss of Php1.17 million. Prepaid/other current assets went up by Php0.13 million due to increases in input tax and monthly set-up of the annual listing fee. Accrued expenses and other payables went down by Php0.11 million due to settlement of outstanding liabilities.

### **Third Quarter Ended September 30, 2013 Compared to Third Quarter Ended September 30, 2012**

#### Income

Total consolidated revenues for the quarter ended September 30, 2013 amounted to Php68.32 million, broken down as follows: income from tipping fee of Php1.23 million (1.8% of total revenues) earned from the operation of the Morong Sanitary Landfill; income from composting/waste processing services of Php1.5 million (2.2% of total revenues); consultancy/field services income of Php63.31 million (92.68% of the total revenues) from the management and maintenance of the Quezon City Sanitary Landfill; and hauling income of Php2.28 million (3.33% of total revenues). In contrast, no significant income was recognized for the same period of 2012.

#### Cost of Services

Cost of services for the third quarter of 2013 amounted to Php40.91 million composed of cost of labor, materials, utilities, equipment rentals, licenses and permit and other expenses incurred in the delivery of services. No cost of services was incurred in the same period of 2012.

### Operating expenses

Operating expenses for the quarter ended September 30, 2013 amounted to Php7.28 million consisting of administrative expenses incurred in its operation. This is 2175% higher than the Php0.32 million reported in the same period of 2012 due to the consolidation of the results of operations of BEST.

### Net Income

The third quarter of 2013 resulted into a net income after tax of Php13.72 million, including the Php3.76 million net income after tax attributable to non-controlling interests, as compared to the net loss of Php0.30 million reported for same period last year, the difference resulting from the consolidation of BEST's operating results into the financial statements of the Company.

### Liquidity and Capital Resources

For the quarter ended September 30, 2013, net cash used in operations totaled Php4.00 million including the net income before tax of Php20.18 million and the depreciation and amortization of Php10.79 million. Prepaid and other current assets went up by Php5.72 million, while trade and other payables decreased by Php23.55 million.

For the same period in 2012, net cash used in operations totaled Php0.24 million including the net loss of Php0.30 million. Prepaid/other current assets slightly decreased by Php0.06 million and accrued expenses and other payables by Php0.001 million.

### **Financial Position as of September 30, 2013 Compared to Financial Position as of December 31, 2012**

Statements of financial position data	September 30, 2013	December 31, 2012	% Inc/ (Dec)
Total Current Assets	426,123,609	1,713,736	24765%
Total Assets	892,217,838	1,713,736	51963%
Total Current Liabilities	159,739,819	125,124	127565%
Total Liabilities	200,718,235	125,124	160315%
Total Stockholders' Equity	691,499,603	1,588,612	43429%

The material changes in the statements of financial position are due to the following:

- On February 8, 2013, the stockholders of the 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 P500,000,000 increase in the authorized capital stock of the Company previously approved by the shareholders, at a total subscription price of P 500,000,000, payable in cash: (a) IPM Construction and Development Corporation, P 350,000,000; (ii) IPM Environmental Services, Inc., P100,000,000; and (b) IPM Realty and Development Corporation, P50,000,000. The stockholders approved the amendment of the primary purpose of the Company to enable the Company to revert to being a holding company and give it more flexibility in looking for suitable investments.



- In the same meeting, the stockholders also approved the Company's 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.
- In February 2013, the Company received a total of Php500 million as deposit for the subscription to the proposed increase in its authorized capital stock. The Company has filed with the Securities and Exchange Commission the corresponding application to increase its authorized capital stock from Php240 million to Php740 million.
- On March 4, 2013, the Company acquired shares in BEST and subscription rights from various stockholders of BEST amounting to Php450 million and Php12.50 million, respectively, which resulted in the Company obtaining 75% interest in BEST, thereby treating BEST as its subsidiary starting March 4, 2013.
- On June 11, 2013, The Securities and Exchange Commission approved the Corporation's increase in authorized capital stock from Php 240,000,000 to Php 740,000,000 divided into 740,000,000 shares with a par value of Php 1.00 each share.

From March 2013, the results of operations of BEST is consolidated into the Company's financial statements, thus:

- Total assets increased by 51963% from Php1.71 million as of December 31, 2012 to Php892.22 million as of September 30, 2013.
- Cash and cash equivalents increased by 3003% from Php1.69 million as of December 31, 2012 to Php52.55 million as of September 30, 2013.
- Current ratio decreased by 80.51% from 13.70x in December 2012 to 2.67x in September 2013; net working capital totaled Php266.38 million in September 2013 as compared to Php1.59 million in December 2012.
- Total stockholders' equity went up by 43429% from Php1.588 million in December 2012 to Php691.50 million in September 2013, including the Php162.02 million equity attributable to non-controlling interests.

### Key Performance Indicators

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

KPI	Calculation	September 30, 2013	December 31, 2012
Current Ratio (1)	Current Assets/Current Liabilities	2.67x	13.70x
Quick Ratio (2)	Cash + Receivables/Current Liabilities	2.44X	13.54x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	.38x	0.08x
Book Value per share (4)	Stockholders' Equity/ Number of Shares Outstanding	.767	0.008
Income (Loss) per Share (5)*	Net Income (Loss)/Weighted Average Number of Shares Outstanding	0.04	(.010)

\*Net income attributable to equity holdings of the parent

	September 30, 2013	December 31, 2012
(1) Current Ratio	426,123,609/159,739,819	1,713,736/125,124
(2) Quick Ratio	390,000,957/159,739,819	1,693,736/125,124
(3) Debt to Equity	200,718,235/529,476,003	125,124/1,588,612
(4) Book Value/Share	529,476,003/690,000,000	1,588,612/190,000,000
(5) Income (Loss) per Share	27,887,389/690,000,000	(1,857,239)/190,000,000

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.

Reports on SEC Form 17-C. The following are the reports filed by the Company on SEC Form 17-C for the last four (4) months of 2013.


<b>Date of Report</b>	<b>Description</b>
July 15, 2013	Clarification on Inquirer-Net Article
July 24, 2013	Results of Board meeting dated July 18, 2013
August 2, 2013	Notification of venue of the annual stockholders' meeting
August 16, 2013	List of stockholders as of record date August 5, 2013
September 24, 2013	Results of annual stockholders' meeting dated Sept. 19, 2013
October 23, 2013	SEC approved the amendment of Articles of Incorporation changing the place of principal office



## SIGNATURES

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**  
President

  
**FRANCIS NEIL P. MERCADO**  
Treasurer

November 12, 2013



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

	<b>30-Sep-2013</b>	<b>31-Dec-2012</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 4)	<b>P52,550,373</b>	<b>P1,693,736</b>
Receivables - net	<b>337,450,584</b>	<b>—</b>
Other current assets - net (Note 6)	<b>36,122,652</b>	<b>20,000</b>
<b>Total Current Assets</b>	<b>426,123,609</b>	<b>P1,713,736</b>
<b>Non-Current Assets</b>		
Investments (Note 7)	<b>35,554,391</b>	<b>—</b>
Property and equipment – net (Note 8)	<b>430,539,838</b>	<b>—</b>
<b>Total Non-Current Assets</b>	<b>466,094,229</b>	<b>—</b>
<b>Total Assets</b>	<b>P892,217,838</b>	<b>P1,713,736</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	<b>P138,477,182</b>	<b>—</b>
Accrued expenses and other payables (Note 10)	<b>21,262,637</b>	<b>125,124</b>
<b>Total Current Liabilities</b>	<b>159,739,819</b>	<b>125,124</b>
<b>Non-Current Liability</b>		
Long term liabilities (Note 11)	<b>40,978,416</b>	<b>—</b>
<b>Total Liabilities</b>	<b>P200,718,235</b>	<b>P125,124</b>
<b>Equity Attributable to Equity Holdings of the Parent</b>		
Capital stock (Note 12)	<b>690,000,000</b>	<b>190,000,000</b>
Deficit	<b>(160,523,997)</b>	<b>(188,411,388)</b>
	<b>529,476,003</b>	<b>1,588,612</b>
Non-controlling Interests	<b>162,023,600</b>	<b>—</b>
<b>Total Equity</b>	<b>691,499,603</b>	<b>1,588,612</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>P892,217,838</b>	<b>P1,713,736</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	<b>Nine Months Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>INCOME</b>		
Service Income	173,155,364	-
Interest Income	125,137	72,685
	<b>173,280,501</b>	<b>72,685</b>
<b>COST OF SERVICES</b>	<b>92,009,428</b>	<b>-</b>
<b>OPERATING EXPENSES (Notes 14)</b>	<b>22,915,742</b>	<b>1,246,120</b>
	<b>114,925,170</b>	<b>1,246,120</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>58,355,332</b>	<b>(1,173,435)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>19,243,051</b>	<b>14,537</b>
<b>NET INCOME (LOSS)</b>	<b>P39,112,281</b>	<b>(P1,187,972)</b>
Attributable to:		
Equity holdings of the parent	27,887,389	(1,187,972)
Non-controlling interests	11,224,892	-
	<b>39,112,281</b>	<b>(1,187,972)</b>
<b>Earnings (Loss) Per Share - basic, net income attributable to equity holdings of the parent*</b>	<b>P0.0404</b>	<b>(P0.0063)</b>

\* Based on the outstanding shares of 690,000,000 in 2013 and 190,000,000 in 2012.  
See accompanying Notes to Consolidated Financial Statements.

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>INCOME</b>		
Service Income	68,318,157	-
Other Income	50,031	20,102
	<b>68,368,188</b>	<b>20,102</b>
<b>COST OF SERVICES</b>	<b>40,910,627</b>	<b>-</b>
<b>OPERATING EXPENSES (Notes 14)</b>	<b>7,277,480</b>	<b>316,810</b>
	<b>48,188,107</b>	<b>316,810</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>20,180,080</b>	<b>(296,708)</b>
<b>PROVISION FOR INCOME TAX</b>	<b>6,457,465</b>	<b>4,020</b>
<b>NET INCOME (LOSS)</b>	<b>P13,722,615</b>	<b>(P300,728)</b>
Attributable to:		
Equity holdings of the parent	9,958,258	(300,728)
Non-controlling interests	3,764,357	-
	<b>13,722,615</b>	<b>(300,728)</b>
<b>Earnings (Loss) Per Share - basic, net income attributable to equity holdings of the parent*</b>	<b>P0.0144</b>	<b>(P0.0016)</b>

\*Based on the outstanding shares of 690,000,000 in 2013 and 190,000,000 in 2012.  
See accompanying Notes to Consolidated Financial Statements.

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

	<b>Nine Months Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>NET INCOME (LOSS)</b>	<b>39,112,281</b>	<b>(P1,187,972)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized fair value gains on available-for-sale financial assets	-	
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>P39,112,281</b>	<b>(P1,187,972)</b>
Attributable to:		
Equity holdings of the parent	27,887,389	(1,187,972)
Non-controlling interests	11,224,892	-
	<b>39,112,281</b>	<b>(1,187,972)</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>NET INCOME (LOSS)</b>	<b>13,722,615</b>	<b>(P300,728)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized fair value gains on available-for-sale financial assets	-	
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>P13,722,615</b>	<b>(P300,728)</b>
Attributable to:		
Equity holdings of the parent	9,958,258	(300,728)
Non-controlling interests	3,764,357	-
	<b>13,722,615</b>	<b>(300,728)</b>

*See accompanying Notes to Consolidated Financial Statements.*



**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 8)	Subscribed Capital Stock (Note 8)	Revaluation Reserve on Available-for- Sale Financial Assets (Note 5)	Retained Earnings/Deficit	Total	Non- controlling Interests	Total Equity
At January 1, 2011	P190,000,000	P-	P63,133	(P183,130,087)	P6,933,046		P6,933,046
Net loss	-	-	-	(3,424,062)	(3,424,062)		(3,424,062)
Other comprehensive loss			(63,133)	-	(63,133)		(63,133)
At December 31, 2011	P190,000,000	P-	P-	(P186,554,149)	P3,445,851		P3,445,851
At January 1, 2012	P190,000,000	P-	P-	(P186,554,149)	3,445,851		P3,445,851
Net loss for the nine months period	-	-	-	(1,187,971)	(1,187,971)		(1,187,971)
At September 30, 2012	P190,000,000	P-	P-	(P187,742,120)	P2,257,880		P2,257,880
At January 1, 2013	P190,000,000	P-	P-	(P188,411,387)	P1,588,613	P66,498,067	P68,086,680
Additional paid-up capital	500,000,000		-	-	500,000,000	70,000,000	570,000,000
Net income for the nine months period	-	-	-	27,887,390	27,887,390	25,525,533	53,412,923
At September 30, 2013	P690,000,000	P	P-	(P160,523,997)	P529,476,003	P162,023,600	P691,499,603

*See accompanying Notes to Consolidated Financial Statements.*



**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock (Note 8)	Subscribed Capital Stock (Note 8)	Revaluation Reserve on Available-for- Sale Financial Assets (Note 5)	Retained Earnings/Deficit	Total	Non- controlling Interests	Total Equity
At January 1, 2011	P190,000,000	P-	P63,133	(P183,130,087)	P6,933,046		P6,933,046
Net loss	-	-	-	(3,424,062)	(3,424,062)		(3,424,062)
Other comprehensive loss			(63,133)	-	(63,133)		(63,133)
At December 31, 2011	P190,000,000	P-	P-	(P186,554,149)	P3,445,851		P3,445,851
At June 30, 2012	P190,000,000	P-	P-	(P187,441,392)	3,143,398		P3,134,398
Net loss for the quarter	-	-	-	(300,728)	(584,790)		(584,790)
At September 30, 2012	P190,000,000	P-	P-	(P187,742,120)	P2,558,608		P2,558,608
At June 30, 2013	P690,000,000	P-	P-	(P170,482,255)	P519,517,745	P158,259,243	P677,776,988
Subscription of shares			-	-			
Net income for the quarter	-	-	-	9,958,258	9,958,258	3,764,357	13,722,615
At September 30, 2013	P690,000,000	P-	P-	(P160,523,997)	P529,476,003	P162,023,600	P691,499,603

*See accompanying Notes to Consolidated Financial Statements.*

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended September</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) before income tax	<b>P58,355,330</b>	<b>(P1,173,435)</b>
Adjustments for:		
Depreciation and amortization	<b>24,941,851</b>	
Interest income	<b>(85,920)</b>	<b>(72,685)</b>
Operating loss before changes in working capital	<b>83,211,261</b>	<b>(1,246,120)</b>
Changes in operating assets and liabilities		
Increase in prepaid and other current assets	<b>(86,627,305)</b>	<b>(130,440)</b>
Increase (decrease) in accrued expenses and other payables	<b>(5,555,330)</b>	<b>(114,594)</b>
Net cash used in operations	<b>(8,971,374)</b>	<b>(1,491,154)</b>
Interest received	<b>85,921</b>	<b>72,685</b>
Income tax paid	<b>(17,184)</b>	<b>(14,537)</b>
Net cash used in operating activities	<b>(8,902,637)</b>	<b>(1,433,006)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition through business combination of a subsidiary-net of cash acquired	<b>59,759,274</b>	<b>-</b>
Net cash provided by investing activities	<b>59,759,274</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deposit for future stock subscriptions	<b>-</b>	<b>-</b>
Net cash provided by financing activities	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>50,856,637</b>	<b>(1,433,006)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,693,736</b>	<b>3,545,263</b>
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>P52,550,373</b>	<b>P2,112,257</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) before income tax	<b>P20,180,081</b>	<b>(P296,708)</b>
Adjustments for:		
Depreciation and amortization	<b>10,789,190</b>	
Interest income	<b>(40,922)</b>	<b>(20,102)</b>
Operating loss before changes in working capital	<b>30,928,349</b>	<b>(316,810)</b>
Decrease (increase) in assets:		
Increase in prepaid and other current assets	<b>(64,643,013)</b>	<b>63,117</b>
Increase (decrease) in accrued expenses and other payables	<b>29,684,739</b>	<b>(1,000)</b>
Net cash used in operations	<b>(4,029,926)</b>	<b>(254,693)</b>
Interest received	<b>40,923</b>	<b>20,102</b>
Income tax paid	<b>(8,185)</b>	<b>(4,020)</b>
Net cash used in operating activities	<b>(3,997,188)</b>	<b>(238,611)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<b>-</b>	<b>-</b>
Investments	<b>-</b>	<b>-</b>
Net cash used in operating activities	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of long term debt	<b>1,693,675</b>	<b>-</b>
Net cash provided by financing activities	<b>1,693,675</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,303,513)</b>	<b>(238,611)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>54,853,886</b>	<b>2,350,868</b>
<b>CASH AT END OF PERIOD (Note 4)</b>	<b>P52,550,373</b>	<b>P2,112,257</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MINERALES INDUSTRIAS CORPORATION**  
**PARENT COMPANY INTERIM STATEMENTS OF FINANCIAL POSITION**

	<b>30-Sep-13</b>	<b>31-Dec-12</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	<b>P33,057,355</b>	<b>P1,693,736</b>
Investments in subsidiary	<b>615,000,000</b>	<b>-</b>
Other current assets – net	<b>270,683</b>	<b>20,000</b>
<b>Total Assets</b>	<b>P648,328,038</b>	<b>1,713,736</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liability</b>		
Subscription payable	<b>P152,500,000</b>	<b>-</b>
Accrued expenses and other payables	<b>26,712</b>	<b>P125,124</b>
<b>Total Liabilities</b>	<b>152,526,712</b>	<b>125,124</b>
<b>Stockholders' Equity</b>		
Capital stock	<b>690,000,000</b>	<b>190,000,000</b>
Deficit	<b>(194,198,674)</b>	<b>(188,411,388)</b>
<b>Total Stockholders' Equity</b>	<b>495,801,326</b>	<b>1,588,612</b>
	<b>P648,328,038</b>	<b>P1,713,736</b>

**MINERALES INDUSTRIAS CORPORATION**  
**PARENT COMPANY INTERIM STATEMENTS OF INCOME**  
(Unaudited)

	<b>Nine Months Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>INCOME</b>		
Interest	<b>P85,921</b>	<b>P72,685</b>
	<b>85,921</b>	<b>72,685</b>
<b>EXPENSES</b>		
Taxes and licenses	<b>2,565,591</b>	<b>8,219</b>
Listing/Maintenance fee	<b>1,953,060</b>	<b>192,550</b>
Professional fees	<b>296,340</b>	<b>336,019</b>
Salaries and wages	<b>357,667</b>	<b>301,000</b>
Directors' per diem	<b>220,000</b>	<b>80,000</b>
Utilities (Note 10)	<b>135,000</b>	<b>135,000</b>
Entertainment, amusement and recreation	<b>100,854</b>	<b>92,239</b>
Office supplies and printing costs	<b>104,487</b>	<b>47,073</b>
Advertising	<b>22,275</b>	
Postage & telegram	<b>26,278</b>	<b>8,949</b>
Transportation	<b>32,341</b>	<b>26,189</b>
Miscellaneous	<b>42,131</b>	<b>18,881</b>
	<b>5,856,024</b>	<b>1,246,119</b>
<b>NET INCOME/ (LOSS) BEFORE INCOME TAX</b>	<b>(5,770,103)</b>	<b>(1,173,435)</b>
<b>PROVISION FOR FINAL TAX</b>	<b>17,184</b>	<b>14,537</b>
<b>NET INCOME/ (LOSS)</b>	<b>(P5,787,287)</b>	<b>(P1,187,972)</b>
<b>Basic/Diluted Loss Per Share (Note 11)</b>	<b>P0.0084</b>	<b>P0.0063</b>



**MINERALES INDUSTRIAS CORPORATION**  
**PARENT COMPANY INTERIM STATEMENTS OF INCOME**

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>INCOME</b>		
Interest	<b>P40,923</b>	<b>P20,102</b>
	<b>40,923</b>	<b>20,102</b>
<b>EXPENSES</b>		
Taxes and licenses		
Listing/maintenance fee	<b>807,550</b>	<b>62,500</b>
Professional fees	<b>90,888</b>	<b>58,907</b>
Salaries and wages	<b>128,667</b>	<b>107,000</b>
Directors' per diem	<b>140,000</b>	
Utilities (Note 10)	<b>45,000</b>	<b>45,000</b>
Entertainment, amusement and recreation	<b>50,216</b>	<b>21,292</b>
Office supplies and printing costs	<b>55,155</b>	<b>8,206</b>
Advertising	<b>-</b>	
Postage & telegram	<b>13,115</b>	
Transportation	<b>12,020</b>	<b>9,084</b>
Miscellaneous	<b>24,941</b>	<b>4,820</b>
	<b>1,367,552</b>	<b>316,810</b>
<b>NET INCOME/ (LOSS) BEFORE INCOME TAX</b>	<b>(1,326,629)</b>	<b>(296,708)</b>
<b>PROVISION FOR FINAL TAX</b>	<b>8,185</b>	<b>4,020</b>
<b>NET INCOME/ (LOSS)</b>	<b>(P1,334,814)</b>	<b>(P300,728)</b>
<b>Basic/Diluted Loss Per Share (Note 11)</b>	<b>P0.0019</b>	<b>P0.0016</b>



**MINERALES INDUSTRIAS CORPORATION****PARENT COMPANY INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

	<b>Nine Months Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>NET LOSS</b>	<b>(P5,787,287)</b>	<b>(P1,187,972)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized fair value gains on available-for-sale financial assets	—	
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(P5,787,287)</b>	<b>(P1,187,972)</b>

**MINERALES INDUSTRIAS CORPORATION****PARENT COMPANY INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>NET LOSS</b>	<b>(P1,334,814)</b>	<b>(P300,728)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
(Note 5)		
Unrealized fair value gains on available-for-sale financial assets	—	
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(P1,334,814)</b>	<b>(P300,728)</b>

**MINERALES INDUSTRIAS CORPORATION****PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

	Nine Months Ended September 30	
	2013	2012
<b>CAPITAL STOCK – P1 par value</b>		
Authorized – 740,000,000 shares		
Issued – 690,000,000 shares	<b>₱690,000,000</b>	<b>₱190,000,000</b>
<b>DEFICIT</b>		
Balance at beginning of period	<b>(188,411,387)</b>	<b>(186,554,148)</b>
Net income (loss) for the nine months period	<b>(5,787,287)</b>	<b>(1,187,972)</b>
Balance at end of period	<b>(194,198,674)</b>	<b>(187,742,120)</b>
	<b>₱495,801,326</b>	<b>₱2,257,880</b>

**MINERALES INDUSTRIAS CORPORATION**  
**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>CAPITAL STOCK – P1 par value</b>		
Authorized – 740,000,000 shares		
Issued – 690,000,000 shares	<b>P690,000,000</b>	<b>(P190,000,000)</b>
<b>DEFICIT</b>		
Balance at beginning of period	<b>(192,863,860)</b>	<b>(187,441,392)</b>
Net income (loss) for the quarter	<b>(1,334,814)</b>	<b>(300,728)</b>
Balance at end of period	<b>(194,198,674)</b>	<b>(187,742,120)</b>
	<b>P495,801,326</b>	<b>P2,257,880</b>

**MINERALES INDUSTRIAS CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Nine Months Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income/ (Loss) before income tax	<b>(P5,770,103)</b>	<b>(P1,173,435)</b>
Adjustments for:		
Interest income	<b>(85,920)</b>	<b>(72,685)</b>
Operating loss before changes in working capital	<b>(5,856,023)</b>	<b>(1,246,120)</b>
Changes in operating assets and liabilities		
Increase in prepaid and other current assets	<b>(250,683)</b>	<b>(130,440)</b>
Increase in subscription payable	<b>152,500,000</b>	
Decrease in accrued expenses and other payables	<b>(98,412)</b>	<b>(114,594)</b>
Net cash used in operations	<b>146,294,882</b>	<b>(1,491,154)</b>
Interest received	<b>85,921</b>	<b>72,685</b>
Income tax paid	<b>(17,184)</b>	<b>(14,537)</b>
Net cash used in operating activities	<b>146,363,619</b>	<b>(1,433,006)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in subsidiary	<b>(615,000,000)</b>	<b>—</b>
Net cash provided by investing activities	<b>(615,000,000)</b>	<b>—</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional Paid-up Capital	<b>500,000,000</b>	<b>—</b>
Net cash provided by financing activities	<b>500,000,000</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>31,363,619</b>	<b>(1,433,006)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,693,736</b>	<b>3,545,263</b>
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<b>P33,057,355</b>	<b>P2,112,257</b>

**MINERALES INDUSTRIAS CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Quarters Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income/ (Loss) before income tax	(P1,326,629)	(P296,708)
Adjustments for:		
Interest income	(40,922)	(20,102)
Operating loss before changes in working capital	(1,467,551)	(316,810)
Changes in operating assets and liabilities		
Decrease in prepaid and other current assets	(56,632)	63,117
Decrease in accrued expenses and other payables	19,800	(1,000)
Net cash used in operations	(1,404,383)	(254,693)
Interest received	40,923	20,102
Income tax paid	(8,185)	(4,020)
Net cash used in operating activities	(1,371,645)	(238,611)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in subsidiary	-	-
Net cash provided by investing activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deposits for future stock subscriptions		-
Net cash provided by financing activities		-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,371,645)</b>	<b>(238,611)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>34,429,000</b>	<b>2,350,868</b>
<b>CASH AND CASH EQUIVALENT AT END OF PERIOD</b>	<b>P33,057,355</b>	<b>P2,112,257</b>



## **MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

Minerales Industrias Corporation (the "Company") was incorporated on August 31, 1995. As approved by the stockholders in a special meeting on February 8, 2013, its primary purpose reverted to that of a holding company, that is, is to engage in the business of investment by way of purchase or acquisition of and to own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of every kind and description including any share or shares, bonds, debentures, notes, evidences of indebtedness, voting trust certificates, mortgages, trust receipts, certificates of interest, other securities, contracts or obligations of any corporation or corporations, association or associations, partnership, banks and business entities, domestic or foreign.

Its subsidiary, Basic Environmental Systems and Technologies, Inc. ("BEST") was organized on September 15, 1999, to engage in the contracting and consulting business for waste management, public cleansing and general hygiene to provide comprehensive waste disposal services, including but not limited to providing technology and operation of transfer stations, landfills and other facilities, cleaning conservancy and desalting services, and to collect, remove, transport, store, and dispose dispense of any scrap, refuse, waste or sewage, whether industrial or domestic, including chemical residues, organic or inorganic, toxic or non-toxic and to recover, remanufacture, and market or turn to account sell deal in/or otherwise dispose of chemical and other substances that may be dealt in connection with the business of waste disposal services.

The Company and its subsidiary operating businesses are organized and managed separately according to the nature of the products or services offered.

On February 8, 2013, the stockholders of the 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 Company previously approved by the shareholders, at a total subscription price of ₱500,000,000, payable in cash: (a) IPM Construction and Development Corporation, ₱350,000,000; (ii) IPM Environmental Services, Inc., ₱100,000,000; and (b) IPM Realty and Development Corporation, ₱50,000,000. On the same date, the stockholders approved the amendment of the primary purpose of the Company to enable the Company to revert to being a holding company and give it more flexibility in looking for suitable investments. The stockholders also approved the acquisition by the Company of a 75% equity interest in BEST.

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

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

On June 11, 2013, The Securities and Exchange Commission approved the Corporation's increase in authorized capital stock from Php 240,000,000 to Php 740,000,000 divided into 740,000,000 shares with a par value of Php 1.00 each share.

On October 18, 2013, The Securities and Exchange Commission approved the change in registered address to Unit 103, Ground Floor, Prestige Tower Condominium, F. Ortigas Jr., Avenue, Ortigas Center, Pasig City.

The consolidated financial statements include the financial statements of the Company and its subsidiary.

## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical basis. These Consolidated financial statements are presented in Philippine Peso (₱), the Company'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 Philippine Financial Reporting Standards (PFRS). Securities Regulation Code 68, As Amended (2011) (SRC Rule 68) requires entities covered by part II of SRC Rule 68 to prepare financial statements in accordance with PFRS.

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2012.

#### *Amendments to PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets*

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments have no impact on the Company's financial position or performance since the Company does not engage in these types of transfers of financial assets.

#### *Amendments to PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets*

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment did not have an impact on the Company's financial position or performance since the Company has no investment property and property and equipment.

### Future Changes in Accounting Policies

The Company will adopt the following new and amended standards and interpretations enumerated below when these become effective.

#### *Effective 2013*

*Amendments to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial*

#### *Liabilities*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized



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

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

The amendments are to be applied retrospectively. The amendments will not have significant impact on the Company's financial position or performance.

#### *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard will have a significant impact on the Company's financial position and performance as a result of the Company's acquisition of 75% interest in BEST in 2013. As such, BEST will be accounted for as a subsidiary starting 2013 under PFRS 10.

#### *PFRS 11, Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard will not have a significant impact on the Company's financial position or performance since Company has not entered into any joint arrangements.

#### *PFRS 12, Disclosure of Interests with Other Entities*

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The adoption of this standard affects disclosure only as a result of the Company's acquisition of 75% interest in BEST and will have no significant impact on the Company's financial position and performance.

#### *PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information.



provided for periods before initial application of PFRS 13. The adoption of this standard will not have a significant impact on its financial position and performance since the Company has no more assets or liabilities carried at fair value as of September 30, 2013 and 2012.

#### *Amendments to PFRS 1, Government Loans*

Amendment to PFRS 1 requires a first-time adopter to apply this requirement prospectively to government loans existing at the date of transition to PFRS. The adoption of the amended standard will not have any impact on the Company's financial statement since the Company has no government loans.

#### *Amendments to PAS 1, Financial Statement Presentation, Presentation of Items of Other Comprehensive Income (OCI)*

The amendments to PAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment will not have an impact on the Company's financial position or performance since the Company has no items of OCI as of June 30, 2013.

#### *Amendments to PAS 19, Employee Benefits*

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The adoption of this standard will have no impact on its financial position or performance since the Company has no retirement fund or retirement obligation.

#### *PAS 27 (Revised), Separate Financial Statements*

As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of this standard affects disclosure only as a result of the Company's acquisition of 75% interest in BEST and will have no significant impact on the Company's financial position and performance.

#### *PAS 28 (Revised), Investments in Associates and Joint Ventures*

As a consequence of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 will not have an impact on the Company's financial statements since the Company has no investment in associates and joint ventures.

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

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



*Annual Improvements to PFRSs (2009-2011 cycle)*

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

*PFRS 1, First-time Adoption of PFRS - Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

*PAS 1, Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendment will not have significant impact on the Company's financial statements since the Company's information disclosures are already in accordance with the requirement of PAS 1.

*PAS 16, Property, Plant and Equipment - Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any impact on the Company's financial position or performance since the Company does not have this type of equipment.

*PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company will assess the impact of this amendment when they undergo certain transactions involving equity distributions to equity holders.

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

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment will not have significant impact on the Company's financial statements since disclosures on interim reports and segment information are consistent of the improvements.

*Effective 2014*

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

The amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as



central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will have no impact in the Company's financial position or performance since the Company does not offset its financial instruments.

#### *Effective 2015*

##### *PFRS 9, Financial Instruments: Classification and Measurement*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no impact on the measurement of the Company's financial assets and liabilities since these financial instruments are carried at amortized cost.

##### *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. Adoption of the interpretation when it becomes effective will not have an impact on the Company's financial statements since the Company is not involved in the construction or real estate.

#### Cash

Cash includes cash on hand and deposits held on demand with banks and are carried in the statement of financial position at nominal amount.

#### Financial Instruments

##### *Date of recognition*

The Company recognizes a financial asset or a financial liability on the 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 Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and

receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are recognized initially at fair value of the consideration given. The fair values of the consideration given are determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at FVPL, includes transaction costs.

As of September 30, 2013 and December 31, 2012, the Company has no financial assets and liabilities at FVPL, AFS financial assets and HTM investments. In 2011, the Company already disposed all of its AFS financial assets.

#### *Determination of fair value*

The fair values for financial instruments traded in active markets at the reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask 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.

#### *Fair value hierarchy*

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

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

#### *Day 1 difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value ('Day 1' profit or loss) in the statement of income 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 the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.



### *Loans and receivables*

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

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

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset will flow to the company. All other subsequent expenditures are recognized as expense in the period in which those incurred.

Major spare parts and stand by equipment qualify as property and equipment when the Company expects to use them for more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property and equipment, they are accounted for as property and equipment.

The carrying value is written down immediately to its recoverable amount. The estimated useful life is reviewed and adjusted when appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Leasehold Improvements	Approx. 5 years
Transportation Equipment	Approx. 5 to 10 years
Office Equipment	Approx. 2 to 5 years
Development Costs	Approx. 5 to 15 years

The useful life of each of the company's item of 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 similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset 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 expense brought by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property, plant and equipment would increase the recorded depreciation expenses and decrease the carrying value of the property, plant and equipment.

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



#### *AFS financial assets*

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

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as "Revaluation reserve on available-for-sale financial assets" in the equity portion of the statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is reported as "Gain (loss) on sale of AFS financial assets" in the statement of income. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the statement of income.

#### *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 Company's accrued expenses and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

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

#### Offsetting of Financial Instruments

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

#### Impairment of Financial Assets

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



measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and receivables*

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in company statement of income 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 the company statement of income, 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 Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired loans and receivables are derecognized when they are assessed as uncollectible.

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

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

#### *AFS financial assets*

In case of equity securities classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the

statement of income - is removed from other comprehensive income and recognized in the statement of income. Impairment losses on equity securities are not reversed through the statement of income. Increases in fair value after impairment are recognized in other comprehensive income.

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

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

##### *Financial liability*

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

#### Equity

##### *Capital stock*

Capital stock is measured at par value for all shares issued.

##### *Deficit*

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

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

##### *Interest income*

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

#### Expenses

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

#### Income tax

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to



compute the amount are those that have been enacted or substantially enacted as of the reporting date.

#### *Deferred tax*

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

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

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

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

Deferred tax 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 statement of financial position.

#### Basic/Diluted Earnings Per Share

Basic/diluted earnings per share (EPS) is computed based on the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared and stock rights exercised during the year.

#### Provisions

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

#### Contingencies

Contingent liabilities are not recognized in the 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 financial statements but are disclosed when an inflow of economic benefits is probable.

#### Events After the Reporting Date

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

### **3. Significant Accounting Judgments and Estimates**

The preparation of the accompanying financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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.

#### Use of Estimates

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

#### *Estimating allowance for impairment losses on receivables*

The Company maintains an allowance for credit losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to classify its receivables based on the credit risk characteristics (payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

#### *Impairment of AFS financial assets*

The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more or 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities.

#### *Recognition of deferred tax assets*

Deferred tax assets have not been recognized in respect of NOLCO and allowance for impairment losses that are available for offset against future taxable income or tax payable, which shall be available for the three succeeding years, because management believes that it is more likely than not that the tax benefits of these will not be realized in the future.

#### 4. Cash

This account consists of:

	September 30, 2013	December 31, 2012
Cash on hand	<b>P5,000</b>	<b>P5,000</b>
Cash in bank	<b>52,545,373</b>	<b>1,688,736</b>
	<b>P52,550,373</b>	<b>P1,693,736</b>

Cash in Bank earns interest at the prevailing bank deposit rates. Interest earned on cash in bank amounted to P125,136 and P86,475 in September 30, 2013 and December 31, 2012, respectively.

#### 5. Receivables

	September 30, 2013	December 31, 2012
Receivables	<b>P337,450,584</b>	<b>-</b>

No provision for doubtful accounts was made on the booked receivables as they are all current in status and management believes that all the accounts can be collected within a reasonable time.

#### 6. Other Current Assets

This account consists of:

	September 30, 2013	December 31, 2012
Prepaid taxes	<b>P</b>	<b>P1,976,300</b>
Creditable withholding tax		<b>1,137,430</b>
Input VAT	<b>982,892</b>	<b>942,856</b>
Prepaid expenses	<b>35,139,760</b>	<b>20,000</b>
	<b>36,122,652</b>	<b>4,076,586</b>
Less allowance for impairment losses	<b>-</b>	<b>4,056,586</b>
	<b>P36,122,652</b>	<b>P20,000</b>

These are recorded at historical costs. Input taxes are prepayments made to the Bureau of Internal Revenue which can be claimed against the output tax liability of the Company in succeeding periods.

The Company provided an allowance on its prepaid taxes, creditable withholding tax and input VAT amounting to P4.06 million as of December 31, 2012 due to low probability that these assets may be utilized in the future.

#### 7. Investments

	September 30, 2013	December 31, 2012
Investment in stocks	<b>P31,999,900</b>	<b>P-</b>
Investment in long term time deposit	<b>3,554,491</b>	
Total	<b>P35,554,391</b>	<b>P-</b>

The investment in stocks is the equity investment of the Company in Metro Clark Waste Management Corporation ("MCWMC"), consisting of 319,999 common shares with par value of P100 per share. This investment represents 15.99% of the total paid up capital of MCMWC. Investment in long term deposits are long term bonds acquired from Government Service Insurance System.



## 8. Property and Equipment-net

The movement of property and equipment as of September 30, 2013 are as follows:

	Leasehold Improvements	Transportation Equipment	Office Equipment	Development Cost- Payatas	Development Cost- Morong	Condo Unit	Land	Total
Beginning	1,249,485	100,175,924	1,546,445	95,394,456	53,710,018	74,000,000	115,252,700	441,329,028
Add : New Acquisition	-	-	-	-	-	-	-	-
Total	1,249,485	100,175,924	1,546,445	95,394,456	53,710,018	74,000,000	115,252,700	441,329,028
Less: Accumulated Depreciation	32,633	3,616,000	88,516	7,052,041				10,789,190
Net Book Value 2013	1,216,852	96,559,924	1,457,929	88,342,415	53,710,018	74,000,000	115,252,700	430,539,838

Land is not subject to depreciation since it is not a depreciable asset. These are properties of the company without restrictions and without pledge as security for its liabilities.

## 9. Trade and Other Payables

	September 30, 2013	December 31, 2012
Trade and other payables	<b>₱138,477,182</b>	<b>₱-</b>

Trade and others payables consist of cash deposits or advances made by clients of BEST against future delivery of agreed services, as well as payables to trade suppliers in the ordinary course of business.

## 10. Accrued Expenses and Other Payables

Details of Accrued Expenses and Other Payables are as follows:

	September 30, 2013	December 31, 2012
Income tax payable	<b>₱8,160,903</b>	
Output Vat	<b>8,142,358</b>	
Accounts payable-ESI	<b>2,279,909</b>	
Accrued expenses	<b>2,510,991</b>	114,356
SSS Contribution payable	<b>51,618</b>	500
Pag-ibig payable	<b>3,300</b>	100
PHIC payable	<b>14,675</b>	250
SSS loans payable	<b>3,894</b>	
Pag-ibig loan payable	<b>4,793</b>	
Withholding tax wages	<b>14,487</b>	9,918
Withholding tax source	<b>75,709</b>	
Total	<b>₱21,262,637</b>	125,124

## 11. Long-term Liabilities

	September 30, 2013	December 31, 2012
Long Term Liabilities	<b>₱40,978,416</b>	<b>₱-</b>

These long term liabilities are non-interest bearing, unsecured and with no fix term of repayment and represent the balance of advances extended by stockholders and used in the Company's business operations.

## 12. Equity

### Capital Stock

The authorized capital stock of the Company follows:

	September 30, 2013	December 31, 2012
Common stock, P1 par value		
740,000,000 authorized shares	<b>P740,000,000</b>	P240,000,000
Number of shares issued and outstanding, at the beginning and at the end of the quarter	<b>690,000,000</b>	190,000,000

On February 8, 2013, the stockholders of the 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 P 500,000,000 increase in the authorized capital stock of the Company previously approved by the shareholders, at a total subscription price of P500,000,000, payable in cash: (a) IPM Construction and Development Corporation, P350,000,000; (ii) IPM Environmental Services, Inc., P100,000,000; and (b) IPM Realty and Development Corporation, P50,000,000. On the same date, the stockholders approved the amendment of the primary purpose of the Company to enable the Company to revert to being a holding company and give it more flexibility in looking for suitable investments.

On February 11, 2013 and February 12, 2013, the Company received P50,000,000 and P450,000,000, respectively, as deposits for the said subscription to the proposed increase in the authorized capital stock of the Company.

On June 11, 2013, the Securities and Exchange Commission approved the Corporation's increase in authorized capital stock from P240,000,000 to P740,000,000 divided into 740,000,000 shares with a par value of P1.00 each share.

## 13. Related Party Transaction

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

The consolidated statements of financial position include the following amounts resulting from transactions between the subsidiary and related parties:

	September 30, 2013	December 31, 2012
Due from related parties:		
IPM Environmental Services, Inc	<b>273,533,166</b>	-
IPM Construction and Development	<b>6,179,910</b>	-
	<b>P279,713,076</b>	<b>P-</b>
Due to related party:		
IPM Construction and Development	<b>40,978,416</b>	<b>P-</b>
	<b>P40,978,416</b>	

The consolidated statements of income include the following amounts resulting from the related party transactions:



		September 30, 2013	September 30, 2012
Service Income:			
IPM Construction	Composting/Waste Process	<b>P3,500,000</b>	<b>P</b>
IPM Environmental Services Inc.	Consultancy/Field Services	<b>132,411,776</b>	<b>-</b>
		<b>P135,911,776</b>	<b>P</b>
Operating Expenses			
GNCA Holdings	Utilities	<b>P135,000</b>	<b>P135,000</b>
		<b>P135,000</b>	<b>P135,000</b>

The P40.98 million represents advances from IPM Construction based on non-interest bearing, no collateral and no fix term repayment schemes.

The Company entered into an agreement with GNCA, an entity controlled by the Company's president, for the sharing of common costs incurred on the leased office space. The agreement provides that the Company shall pay fixed monthly utility charges of P15,000, in lieu of its proportionate share in monthly rentals on the leased premises.

#### 14. Operating expenses

The breakdown of operating expenses is as follows:

	Nine Months Ended September 30	
	2013	2012
Taxes & Licenses	5,926,665	8,219
Depreciation and amortization	4,973,417	
Personal cost	4,093,657	
Miscellaneous	799,432	18,881
Bank Interest	2,493,616	
Stock exchange listing fee	1,953,060	192,550
Utilities	789,738	135,000
Salaries & Wages	357,667	301,000
Professional fee	392,340	336,019
Office/Engr Supplies	266,466	47,073
Communication	247,640	8,949
Directors' per diem	220,000	80,000
Representation	142,750	92,239
Transportation & Travel	237,018	26,189
Advertising	22,275	-
	<b>22,915,742</b>	<b>1,246,119</b>

	Quarters Ended September 30	
	2013	2012
Taxes & Licenses	106,596	-
Depreciation and amortization	2,235,713	-
Personal cost	1,594,249	-
Bank Interest	1,093,616	-
Miscellaneous	371,354	4,820
Stock exchange listing fee	807,550	62,500
Utilities	134,806	45,000
Salaries & Wages	128,667	107,000
Professional fee	186,888	58,908
Office/Engr Supplies	95,471	8,206
Communication	106,186	-
Directors' per diem	140,000	-
Representation	69,303	21,292
Transportation & Travel	207,081	9,084
Advertising	-	-
	<b>7,277,480</b>	<b>316,810</b>

#### 15. Earnings/(Loss) per Share

Earnings/(Loss) per share were computed as follows:

	Nine Months Ended September 30	
	2013	2012
Net Income (Loss) (a)*	<b>₱27,887,389</b>	<b>(₱1,187,972)</b>
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	<b>190,000,000</b>
Earnings/(Loss) per share (a/b)	<b>₱0.0404</b>	<b>(₱0.0063)</b>

	Quarters Ended September 30	
	2013	2012
Net Income (Loss) (a)*	<b>₱9,958,258</b>	<b>(₱300,728)</b>
Weighted average number of outstanding common share (b)	<b>690,000,000</b>	<b>190,000,000</b>
Earnings/(Loss) per share (a/b)	<b>₱0.0144</b>	<b>(₱0.0016)</b>

\*Net income attributable to the equity holdings of the parent.

#### 16. Financial Instruments

##### Fair Value Hierarchy

As of September 30, 2013 and December 31, 2012, the Company has no AFS financial assets. There were no transfers between Level 1 and Level 2 financial instruments, and no transfers into of Level 3 fair value instrument.

##### Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and accrued expenses and other payables. The main purpose of the Company's financial instruments is to fund its operational and capital expenditures.

Exposure to credit, liquidity and market price risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

#### *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash in bank with fixed interest rates.

#### *Credit risk*

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash exposes the Company to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Company consequently suffers financial loss. Credit risk management involves entering into consolidated financial instruments only with counterparties with acceptable credit standing.

The company trades with only recognized, creditworthy third parties. 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 company's exposure to bad debts is not significant.

Since the Company trades only with recognized third parties, there is no requirement of collateral. The table below shows the maximum exposure to credit risk for the components as of September 30, 2013 and December 31, 2012 statements of financial position activities.

	Gross Maximum Exposure	
	September 30, 2013	December 31, 2012
Cash	<b>P52,550,373</b>	<b>P1,693,736</b>
Receivable	<b>337,450,584</b>	-
<b>Total</b>	<b>P390,000,957</b>	<b>P1,693,736</b>

#### *Liquidity risk*

Liquidity or funding risk is the risk associated with the difficulty of selling financial assets in a timely manner at their values to meet obligations.

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 company aims to maintain flexibility in funding by keeping committed credit lines available.

The company 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 company also maintains accounts with several relationship banks to avoid significant concentration of cash with one institution.

#### *Price risk*

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.





**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**FINANCIAL SOUNDNESS INDICATORS**

Financial Soundness Indicators	Calculation	September 30, 2013	December 31, 2012
Current Ratio	Current Assets/Current Liabilities	2.67x	13.70x
Quick Ratio	Cash + Account Receivables/Current Liabilities	2.44x	13.54x
Debt to Equity Ratio	Liabilities/ Stockholders' Equity	.38x	0.08x
Asset to Equity Ratio	Assets/Stockholders' Equity	1.69x	1.08x
Interest Coverage Ratio	Earnings Before Interest & Taxes/Interest Expense	N/A	N/A
Gross Profit Margin	Gross Profit/Revenues	0.47	N/A
Book Value per share	Stockholders' Equity/ Outstanding Shares	0.767	0.008
Income (Loss) per Share	Net Income/(Loss)/Weighted Average Number of Shares Outstanding	0.0404	(0.010)

*\*Net income attributable to equity holdings of the parent*

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
Current Ratio	426,123,609/159,739,819	1,713,736/125,124
Quick Ratio	390,000,957/159,739,819	1,693,736/125,124
Debt to Equity	200,718,235/529,476,003	125,124/1,588,612
Asset to Equity Ratio	892,217,838/529,476,003	1,713,736/1,588,612
Interest Coverage Ratio	N/A	N/A
Gross Profit Margin	81,145,936/173,155,364	N/A
Book Value/Share	529,476,003/690,000,000	1,588,612/190,000,000
Income (Loss) per Share	27,887,389/690,000,000	(1,857,239)/190,000,000

**MINERALES INDUSTRIAS CORPORATION AND SUBSIDIARY**  
**AGING OF RECEIVABLES**  
**September 30, 2013**

<b>Nature/Description</b>	<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>Total</b>
Income from Tipping Fee	384,628	383,145	26,007,620	26,775,394
Hauling Income	577,342	-	14,105,761	14,683,103
Composting / Waste Process	500,000	1,000,000	9,000,000	10,500,000
Consultancy / Field Services	15,433,058	15,758,108	254,300,921	285,492,087
<b>Total</b>	<b>16,895,028</b>	<b>17,141,254</b>	<b>303,414,302</b>	<b>337,450,584</b>