COVER SHEET

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S.E.C. Registration Number

STENIEL MANUFACTURING
CORPORATION

(Company's Full Name)

GATEWAY BUSINESS PARK
BRGY. JAVALERA GEN. TRIAS
CAVITE

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

CHRISTINA EDEN M. RONDARIO
Contact Person

687 1195
Company Telephone Number

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

Definitive Information Statement
FORM TYPE

Last Tuesday of April
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes.

STENIEL MANUFACTURING CORPORATION

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

We would like to inform you that the annual meeting of the stockholders of Steniel Manufacturing Corporation (the "Corporation") has been scheduled on **June 20, 2014 at 1:00 p.m.** at Gateway Business Park, Brgy. Javalera, Gen. Trias, Cavite, Philippines.

The matters which shall be taken up during the meeting are:

AGENDA

1. Call to order
2. Proof of notice and determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on December 26, 2013
4. President's report
5. Approval and ratification of all acts of the Board of Directors and Management during their term of office
6. Election of Directors
7. Appointment of External Auditor
8. Other matters
9. Adjournment

Stockholders of record as of May 21, 2014 are entitled to notice of, and to vote at, the annual meeting.

The stockholders may vote on the matters to be presented at the meeting either in person or by proxy. Notarized proxies shall be in writing and shall be filed on or before June 10, 2014 with the undersigned Corporate Secretary at Suite 2401 The Orient Square, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, Philippines, via email at mia.ormita@mvgslaw.com or by facsimile at + 6 32 687 1197.

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

Christina Eden M. Rondario
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

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

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

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

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

4. SEC Identification Number: **23736**

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

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

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

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

   June 20, 2014, Friday, at 1:00 p.m.
   Gateway Business Park, Brgy. Javalera
   General Trias, Cavite City

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 28, 2014**

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

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

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

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

STENIEL MANUFACTURING CORPORATION

INFORMATION STATEMENT

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

A. GENERAL INFORMATION

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

(a) Date: **June 20, 2014, Friday**
Time: **1:00 p.m.**
Place: **Gateway Business Park, Brgy. Javalera General Trias, Cavite City**

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

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

May 28, 2014

ITEM 2. DISSENTERS' RIGHT OF APPRAISAL

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

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

As of May 21, 2014, there are 1,000,000,000 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting. One share is equivalent to one vote except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

(b) Record Date

Only holders of the Company's stock of record at the close of business on **May 21, 2014** (the "Record

Date") acting in person or by proxy on the day of the meeting are entitled to vote at the Annual Meeting to be held on **June 20, 2014.**

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

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

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

(1) Security Ownership of Certain Record and Beneficial Owners

The table below shows persons or groups known to the Company as of May 21, 2014 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities:[1]

Title of Class	Name, Address, Citizenship of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No. of Shares Held	% of Ownership
Common	Steniel (Netherlands) Holdings[2] B. V Strawinskylaan 3105 Atrium, 1077 ZX Amsterdam, The Netherlands *Registered Stockholder*	Same as record holder	720,848,912	72.08%
Common	Roxburgh Investments Limited (British Virgin Islands) *Registered Stockholder*	Same as record holder	123,817,953	12.38%
Common	PCD Nominee Corporation[3] 6th Flr. Makati Stock Exchange,	Philippine Central Depository, Inc. Various Participants	86,106,583	8.61%

[1] Based on records of the stock transfer agent, Stock Transfer Service, Inc. (List of top 100 stockholders as of May 21, 2014).

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

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

Title of Class	Name, Address, Citizenship of Record Owner & Relationship with Issuer	Name of Beneficial Owner And Relationship with Record Owner	No. of Shares Held	% of Ownership
	6767 Ayala Ave., Makati City *Registered Stockholder*			

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

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

(2) Security Ownership of Management

As of May 21, 2014, the security interest of directors and management is as follows:

Name and Address of Beneficial Owner	Position	Title of Class	Amount/ Nature of Ownership	% of Ownership
Nixon Y. Lim Gateway Business Park Brgy. Javalera, Gen. Trias, Cavite	Chairman	Common	1(R)	nil
Delma P. Bermundo 27-A Jaime St., Carmel I Subdivision Project 6, Quezon City	Director/ President/CEO	Common	1 (R)	nil
Eliza C. Macuray 303 B. Malapantao St., Mandaluyong City	Director/Vice President/CFO	Common	1 (R)	nil
Roberto Roman V. Andes No. 5 Orchid Road, Buhangin, Davao City	Independent Director	Common	1 (R)	nil
Kenneth George D. Wood 194 Limasawa Extension Salapungan, Angeles City	Independent Director	Common	1 (R)	nil
Mia M. Ormita Suite 2401 The Orient Square F. Ortigas, Jr. Road Ortigas Center, Pasig City	Director/ Corporate Secretary	Common	1 (R)	nil
Esteban C. Ku Gateway Business Park Brgy. Javalera, Gen. Trias, Cavite	Director	Common	1 (R)	nil
Directors and officers as a group		Common	7	nil

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

(e) Voting Trust Holders of 5% or more

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

(f) Changes in Control

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

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) The Board of Directors

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

The following are the members of the Board:

Office	Name	Age	Nationality
Chairman	Nixon Y. Lim	42	Filipino
Director/President/CEO	Delma P. Bermundo	52	Filipino
Director/Vice President/CFO	Eliza C. Macuray	55	Filipino
Director	Esteban Ku	47	Filipino
Independent Director	Kenneth George D. Wood	55	Filipino
Independent Director	Roberto Roman V. Andes	58	Filipino
Director	Mia M. Ormita	37	Filipino

Set forth below are the business experience of the Board during the last five (5) years:

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

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

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

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

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

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

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

Nomination of Directors for 2014-2015

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

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

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

The business experience of the foregoing nominees for the past five (5) years are provided above.

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

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

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

The members of the Nomination Committee are as follows:

1.	Eliza C. Macuray	-	Chairman
2.	Delma P. Bermundo	-	Member
3.	Kenneth George D. Wood	-	Member

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

(b) The Executive Officers

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

The Company's executive officers are Ms. Delma P. Bermundo, President & CEO, and Ms. Eliza C. Macuray, Vice President & CFO. Their respective age, nationality and business experience are provided above.

(c) Family Relationships

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

(d) Independent Directors

None of Messrs. Kenneth George D. Wood or Roberto Roman V. Andes, the incumbent Independent Directors of the Company, is an officer or a substantial shareholder of the Company.

(e) Executive Officers and Significant Employees

The business experience of Ms. Bermundo and Ms. Macuray are provided above.

(f) Warrants and Options Outstanding

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

(g) Involvement of Directors and Officers in Legal Proceedings

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

(h) Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[4] sale and/or transfer of basic raw materials, work-in-progress inventory, finished goods, and equipment. Related party transactions are always at arms-length.

(i) Disagreement with a Director

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

ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the table below for a summary of the compensation received by the following executive directors: (a) Delma P. Bermundo - Director, President and CEO, and (b) Eliza C. Macuray - Director, VP and CFO:

Aggregate Amount of Salaries and Bonuses				
Year	Salary	Bonus	Other Compensation	TOTAL
2010	2,706,600	0	0	2,706,600
2011	2,745,600	0	0	2,745,600
2012	2,745,600	0	0	2,745,600
2013	1,189,470	0		1,189,470
Aggregate Amount of Estimated Compensation for 2013				
Year	Salary	Bonus	Other Compensation	TOTAL
2014	1,750,000	0		1,750,000

No other directors and executive officers are receiving compensation.

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

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

[4] Pertaining to transactions within the Steniel Group.

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

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

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of Manabat Sanagustin & Co., CPAs is being recommended for appointment as external auditor for the current year. Following the appointment of Manabat Sanagustin & Co., CPAs at the last annual shareholders' meeting held on December 26, 2013, it is reasonably believed that it will not decline to be appointed.

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

Pursuant to SRC Rule 68, Paragraph 3(b)(iv) (Rotation of External Auditors) of the SRC Rules, the Company engaged Mr. Wilfredo Z. Palad of Manabat Sanagustin & Co., CPAs, for the examination of the Company's financial statements for the year 2013. The Company is compliant with the rotation requirement of its external auditor's certifying partner as required under SRC Rule 68 (3)(b)(iv).

<u>Audit and Audit-Related Fees</u>

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was Php550,000.00 for the year 2013, and Php1,650,000.00 for the year 2012. These fees cover services rendered by the external auditor for audit of the financial statements of the Company and other services in connection with statutory and regulatory filings for fiscal years 2013 and 2012.

<u>Tax Fees and Other Fees</u>

For the last two (2) fiscal years, no other fees were paid to Manabat Sanagustin & Co., CPAs, or to Isla Lipana & Co., the previous external auditor.

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

The members of the Audit Committee are as follows:

Kenneth George D. Wood	-	Chairman
Delma P. Bermundo	-	Member
Eliza C. Macuray	-	Member

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

ITEM 8. COMPENSATION PLANS

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

Not applicable.

ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES

Not applicable.

ITEM 11. FINANCIAL AND OTHER INFORMATION

The interim unaudited financial statements for the period ended March 31, 2014 and the audited consolidated financial statements of the Company for the period ended December 31, 2013 are attached as **Annexes B** and **C** hereof. Management's Discussion and Analysis of Operations is incorporated in the Management Report.

Representatives of the Company's current external auditor, Manabat Sanagustin & Co., CPAs, are expected to be present at the Annual Meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. The Company has had no material disagreement with Manabat Sanagustin & Co., CPAs on any matter of accounting principle or practices or disclosures in the Company's financial statements.

ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

Not applicable.

ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY

Not applicable.

ITEM 14. RESTATEMENT OF ACCOUNTS

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

D. OTHER MATTERS

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

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

Other proposed actions include approval of the Annual Report and audited consolidated financial statements of the Company for the period ended December 31, 2013, and ratification of acts, investments, proceedings and resolutions of the Board, and the acts of the officers, management and Board committees since the date of the last annual meeting which were entered into or made in the ordinary course of business, the significant acts and transactions of which are covered by appropriate disclosures with the PSE and SEC and would include the following:

Date of Board Meeting	Action Taken
January 23, 2013	Approval of Revised Manual on Good Corporate Governance
May 8, 2013	Postponement of the annual stockholders' meeting to a later date to be determined by the Board.
August 12, 2013	Withdrawal of the Application for 2-Way Merger of the Company and TPC.
November 12, 2013	Setting of annual stockholders' meeting on December 26, 2013 and the Record Date on November 26, 2013.
December 27, 2013	Sale of 9.25 million common shares in Steniel Mindanao Packaging Corporation to Greenkraft Corporation, Corbox Corporation, Goldenbales Corporation, Rex Chua and Clement Chua

The approval of the minutes of the last annual stockholders' meeting held on December 26, 2013, a copy of which is attached as **Annex A** hereof, the Annual Report and audited consolidated financial statements for the period ended December 31, 2013, and ratification of all acts, proceedings and resolutions of the Board, and the acts of the officers, management and Board committees since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote thereon.

ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED

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

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

Not applicable.

ITEM 18. OTHER PROPOSED ACTION

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

1. Approval of the minutes of the previous annual stockholders' meeting held on December 26, 2013
2. President's report
3. Approval and ratification of all acts of the Board of Directors and Management

during their term of office
4. Election of Directors
5. Appointment of External Auditor

ITEM 19. VOTING PROCEDURES

(a) Matters for Stockholders' Approval

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

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

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

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

(b) Election of directors

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

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

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

1. Call to order
2. Proof of notice and determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on December 26, 2013
4. President's report
5. Approval and ratification of all acts of the Board of Directors and Management during their term of office
6. Election of Directors
7. Appointment of External Auditor
8. Other matters
9. Adjournment

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig, Metro Manila on May 27, 2014.

STENIEL MANUFACTURING CORPORATION
(Issuer)

Chirstina Eden M. Rondario
Asst. Corporate Secretary

MANAGEMENT REPORT

A. CONSOLIDATED AUDITED FINANCIAL AND INTERIM UNAUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of Steniel Manufacturing Corporation (the "**Company**") and its subsidiaries (together with the Company, the "**Steniel Group**") for the year ended December 31, 2013, and the interim unaudited financial statements for the period ended March 31, 2014 are attached as **Annexes B and C** respectively, to form an integral part of this Management Report.

B. INFORMATION CONCERNING DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the last annual meeting of the stockholders held on December 26, 2013, the Company appointed Manabat Sanagustin & Co., CPAs as its independent accountant. Such change in independent accountant did not arise or result from any disagreements with its former independent accountant, Isla Lipana & Co. on any matter of accounting and financial disclosures. Likewise, the Company has not had any disagreements with its newly-appointed independent accountant, Manabat Sanagustin & Co., CPAs, on any matter of accounting and financial disclosures.

The financial statements for the year ended December 31, 2013, including the notes thereto, were audited by Manabat Sanagustin & Co., CPAs.

C. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

(1) For the three-month period ended March 31, 2014

Results of Operations

Consolidated revenue for the 1st quarter of 2014 arising from the leasing activity amounted to Php1.8 million. There was a significant reduction of the revenue reported compared to year-end and same period last year as an effect of the sale of the operating company in December 27, 2013.

Operating expenses on a consolidated basis for the current quarter totaled Php1.745 million is lower than last year of Php3.5 million corollary to the foregoing. Continued control of operating expenses is being observed.

The creditors granted the Company another two (2)-year grace period in the payment of interest commencing on the restructuring date. Thus, there are no financing charges recognized during the period reported.

Operating Plans

Consequential to the sale of Steniel Mindanao Packaging Corporation ("**SMPC**") shares held by the Company, the Company's key strategies are focused towards leasing the remaining assets to its subsidiary, specifically the plant in Davao.

Financial Condition

Consolidated current assets as at March 31, 2014 totaled Php531.850 million while current liabilities as at the same date totaled Php255.440 million. Current assets as at current quarter-end slightly changed as compared with the year-end balance attributed to collection from related parties and associates. Consequently, the balance of accounts payable and accrual as at March 31, 2014 also decreased as compared with the year-end balance. With respect to long-term borrowings, there is also a decrease in Php20 million. Working capital ratio for the current quarter is 2.08. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

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

There are no events that will trigger direct or contingent financial obligation that is material to the company and there are no off-balance sheet transactions or arrangements with any unconsolidated entity or other person during the period being reported. Consolidated total assets as at current quarter-ending March 31, 2014 amounted to Php560.073 million as compared to Php 602.858 million as at December 31, 2013.

(2) For the twelve months ended December 31, 2013

Results of Operations

Consolidated revenues for the current year totaled Php726.307 million as compared with those of last year's Php580.449 million. This was mainly due to improvement in market demand and average selling prices. Revenue generated from the lease of properties in Mindanao was maintained for the current year.

The Steniel Group's gross profit (GP) for the current year of Php61.321 million (GP rate - 8%) is higher compared to 2012's GP of Php33.766 million (GP rate - 6%) The cost per ton of paper, which constitute a significant portion of cost of goods sold, improved by 7 % in 2013 as compared with those in 2012. In addition, further improvement in other variable overhead recorded and improvement of 21%. All other cost components slightly dropped that brought the total cost to an average improvement of 5%.

Group wide operating expenses during the current year of Php43.004 million is higher than that of last years' Php37.814 million. The difference is attributed to the bad debts expense and realignment of depreciation expense recognized in 2013 Representations expenses slightly offset improvements in all other expenses.

Other operating losses during the year totaled Php 84.340 million as compared with income of Php10.294 in 2012. The losses were primarily due to disposal of a subsidiary.

Overall, the Company reported a consolidated loss from operations in 2013 of Php66.023 million as compared with last year's consolidated income from operations of Php6.246 million. The decrease is mainly due to the disposal of a subsidiary offset by write off of accruals.

As mentioned in the preceding, there are no financing charges during the current year pursuant to the two (2)-year grace on interest payment as provided for in the Amended Agreement

Operating Plans

For 2014, management will focus its major strategies towards leasing its remaining assets to achieve healthier financial cash flows.

Financial Condition

Total current assets as at December 31, 2013, totaled Php574.132 million as compared with Php717.882 million in 2012 The decrease was mainly due to non carrying of inventories as at December 31, 2013. Meanwhile, total non-current assets totaled Php28.726 million as at current year-end against last year's Php120.874 million. The decrease arising mainly from long term receivables of SMPC offset by other subsidiary's investments in shares of stocks.

The Steniel Group's consolidated current liabilities as at current year-end totaled Php278.372 million as compared with those in 2012 of Php434.975 million. The decrease is attributed mainly to non-carrying of inventories and write off of payables. With regard to non-current liabilities, the decrease to Php568.301 million in 2013 from Php571.615 million in 2012 is mainly due to settlement of retirement benefits.

Total assets as at year-end 2013 totaled Php602.858 million (2012 – Php838.756 million). In view of the foregoing discussions, the Steniel Group's current ratio during the year at 2.06 and last year's at 1.65. The debt-to-equity ratio in 2007 is 10.8. Debt-to-equity ratio is not computed in 2012 and 2011 because of the negative equity balances as at year-end.

Key Performance Indicators

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

Revenues. Consolidated sales revenue for the year ended December 31, 2013 posted Php726.307 million with equivalent volume of 16,410MT. The improvement was manly due to increase in total all-in-sales coupled by improvements in ASP.

Cost of goods sold. The Company reported a GP for the current period of Php61.321 million (GP rate of 8% versus an actual GP for the same period last year of Php33.766 million with a GP rate of 6%. This is mainly due to the improvement in ASP and reduction in cost per ton of paper which constitute the biggest share in total production cost.

Operating expenses. Operating expenses recorded on a consolidated basis for the current period is 14% higher compared to last year. Other employees cost pertaining to last year was recorded during the current year.

Income/(loss) from operations. Overall, the Company posted a consolidated net loss of Php76.170 million for the current year compared to a net income of Php10.177 million of last year. The net loss was attributed to the disposal of a subsidiary. Please refer to the reasons cited in the foregoing for the related explanations.

Financial ratios. Consolidated current assets as at December 31, 2013 totaled Php574.132 million while current liabilities as at the same date totaled Php278.372 million. Improvement of current ratio from 1.65 last year to 2.06 was posted as at the year ended December 31, 2013. Consequential to the sale of a subsidiary on December 27, 2013, total assets recorded at Php602.858 million while total liabilities at Php846.673 million as at December 31, 2013 compared to last year at Php838.756 million and Php1,006 million respectively Working capital ratio as at December 31, 2013 is 2.06. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

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

(1) Description of Business.

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

Name of Subsidiary	Date of Registration	SEC Registration No.
STENIEL CAVITE PACKAGING CORP.[1]	Oct. 21, 1993	AS093-8725
TREASURE PACKAGING CORPORATION	May. 23, 1994	AS094-004629
STENIEL MINDANAO PACKAGING CORP.[2]	June 30,1995	AS095-6250

(2) Nature of Business

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

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

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

Effective year-end 2008, only the manufacturing facility in Davao of SMPC remained operational. The machines and equipment of the facility in Cavite remain intact while those in

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

[2] On December 27, 2013, the Company sold its 9.25 million common shares in Steniel Mindanao Packaging Corporation.

Cebu were sold, with the proceeds from the sale used to pay off separation costs and certain taxes.

On December 27, 2013, the Company sold its 9.250 million common shares in SMPC.

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

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

(4) Total Number of Employees

The Steniel Group employs a total number of 2 regular and three (3) contractual employees as at 31 December 2013.

(5) Patents, Trademarks Copyrights and Licenses

Not applicable.

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

Not applicable.

(7) Cost and Compliance with Environmental laws

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

(8) Bankruptcy, Receivership or Similar Proceedings

As discussed in Note 1 - General information/Status of operations, in the Notes to 2013 Consolidated AFS, due to the working capital drain experienced by the Steniel Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Steniel Group found it difficult to sustain further payments of its bank debts while at the same time ensuring continued operations. On May 24, 2006, the lending banks declared the Company in default for failure to meet its quarterly principal amortizations and interest payments since March 2004.

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

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

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

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

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

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

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

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

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

(10) Cost of Research and Development Activities

Not applicable.

(11) Major Risks and Management of the Risks

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

Please refer also to Note 22 - Financial risk management, of the Notes to the 2013 Consolidated AFS for additional discussions.

E. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

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

F. MARKET PRICE, SHAREHOLDER AND DIVIDEND INFORMATION

(1) Market Price

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

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

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

(2) Holders

As of March 31, 2014, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Steniel (Netherlands) Holdings B.V.	Dutch	720,848,912	72.08%
2	Roxburgh Investments Limited	BVI	123,817,953	12.38%
3	PCD Nominee Corporation	Filipino	86,106,583	8.61%
4	Valmora Investment & Mgt. Corp.	Filipino	10,443,860	1.04%
5	Rustico &/or Lolita Garingan	Filipino	2,097,276	0.21%
6	Delfin R. Maceda	Filipino	1,980,000	0.20%
7	PCD Nominee Corporation	Non-Filipino	1,900,544	0.19%
8	Calvin C. Chua	Filipino	1,828,500	0.18%
9	Sally C. Ong Pac	Filipino	1,450,000	0.15%
10	Leonardo T. Siguion-Reyna	Filipino	1,151,839	0.12%
11	Ella C. Santiago &/or Manuel A. Santiago	Filipino	1,100,000	0.13%
12	Christopher Chua	Filipino	1,000,000	0.10%
13	Estate of Mamerto Endriga	Filipino	906,011	0.09%
14	Stanley C. Sy	Filipino	750,000	0.08%
15	Manuel T. Carmona	Filipino	727,879	0.07%
16	Felisa Y. Tan	Filipino	582,000	0.06%
17	Gabriel Panlilio &/or Maritess Panlilio	Filipino	542,500	0.05%
18	Pua Yok Bing	Filipino	512,000	0.05%
19	Nicolas Schoenenberger	Swiss	509,000	0.05%
20	Knights of Colombus Fraternal Assoc., Inc.	Filipino	468,374	0.05%

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

(3) Dividends

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

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

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

(4) Recent Sales of Unregistered Securities

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

G. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

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

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

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

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

THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2013 (SEC FORM 17-A) TO ITS STOCKHOLDERS UPON RECEIPT OF A WRITTEN REQUEST ADDRESSED TO THE CORPORATE SECRETARY, SUITE 2401 THE ORIENT SQUARE, F. ORTIGAS, JR. ROAD, ORTIGAS CENTER, PASIG CITY.

ANNEX "A"

MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS
OF

STENIEL MANUFACTURING CORPORATION

Held on December 26, 2013 at 1:00 p.m.
at Gateway Business Park, Brgy. Javalera
General Trias, Cavite, Philippines

STOCKHOLDERS PRESENT:

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

PROCEEDINGS

I. CALL TO ORDER

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

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that notices of the meeting were sent to the stockholders as of record date of November 26, 2013. The Corporate Secretary also certified that stockholders representing 84.47% were present in person or by proxy and that a quorum was therefore present for the transaction of business. The meeting was then lawfully convened.

III. APPROVAL OF MINUTES OF THE PREVIOUS MEETING OF STOCKHOLDERS HELD ON SEPTEMBER 17, 2012

The Chairman presented for approval the Minutes of the Annual Stockholders' Meeting held on September 17, 2012, which were appended to the Definitive Information Statement sent to the stockholders of record. Upon motion made and duly seconded, the stockholders unanimously approved the following resolution:

> "**RESOLVED**, that the stockholders of Steniel Manufacturing Corporation hereby approve the minutes of the previous annual stockholders' meeting held on September 17, 2012."

IV. PRESIDENT'S REPORT AND PRESENTATION AND APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2012

Ms. Delma P. Bermundo, Vice President & CFO, gave a report on the results of operations of the Corporation for the fiscal year 2012 and the Audited Financial Statements as of December 31, 2012.

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

> "**RESOLVED**, that the stockholders of Steniel Manufacturing Corporation (the '**Corporation**') hereby approve the President's report and the audited financial statements of the Corporation for the fiscal year ending December 31, 2012 as prepared by Isla Lipana & Co."

V. RATIFICATION OF THE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The Chairman informed the stockholders that the next item in the agenda is a requestfor approval of acts, transactions and proceedings of the Board of Directors, committees and Management since the last stockholders' meeting. Said acts, transactions and proceedings are specified in the Definitive Information Statement sent to the stockholders of record. Upon motion made and duly seconded, the stockholders unanimously approved the following resolutions:.

> "**RESOLVED**, that the stockholders of Steniel Manufacturing Corporation (the '**Corporation**') hereby approve and ratify all acts, transactions and proceedings of the Board of Directors, committees and Management of the Corporation since the date of the last stockholders' meeting on September 17, 2012."

VI. ELECTION OF DIRECTORS

The Corporate Secretary announced the nominees to the board of directors. Upon motion made and duly seconded, the stockholders unanimously voted for the election of the seven nominees to the Board of Directors for the ensuing fiscal year of 2013-2014:

Nixon Y. Lim
Delma P. Bermundo
Eliza C. Macuray
Esteban C. Ku
Mia M. Ormita
Kenneth George D. Wood, Independent Director
Roberto Roman V. Andes, Independent Director

VII. APPOINTMENT OF EXTERNAL AUDITOR

KPMG R.G. Manabat & Co. was nominated as the Corporation's external auditor for fiscal year 2013. Upon motion made and duly seconded, the stockholders unanimously approved the following resolutions:

> "**RESOLVED,** that KPMG R.G. Manabat & Co. is hereby appointed as the external auditor of Steniel Manufacturing Corporation (the '**Corporation**') for the fiscal year 2013-2014.
>
> "**RESOLVED, FURTHER,** that any one (1) of the President, Treasurer or any of the directors of the Corporation be, as he is hereby authorized, to negotiate the terms of the engagement of KPMG R.G. Manabat & Co. and to sign, execute and deliver any and all documents and to do any and all acts necessary to implement the foregoing resolution."

VIII. ADJOURNMENT

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

Certified Correct:

Christina Eden M. Rondario
Assistant Corporate Secretary

Attested:

Nixon Y. Lim
Chairman

ANNEX "B"

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

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

COVER SHEET

S.E.C. Registration Number

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

Gateway Business Park Javalera, Gen. Trias, Cavite

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

Eliza C. Macuray

Contact Person

Company Telephone Number

12 31

Month *Day*

AAFS

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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REPORT OF INDEPENDENT AUDITORS

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG

Opinion

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

Emphasis of Matter

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

Other Matter

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

R.G. MANABAT & CO.

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

April 9, 2014
Makati City, Metro Manila

STENIEL MANUFACTURING CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Steniel Manufacturing Corporation and Subsidiaries** (the **Company**), is responsible for the preparation and fair presentation of the consolidated financial statements as at and for the years ended **December 31, 2013 and 2012**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Nixon Y. Lim
Chairman of the Board

Delma P. Bermundo
President/CEO

Eliza C. Macuray
Chief Financial Officer

Signed this 9th day of April 2014

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

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

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

ATTY. TOMAS F. DULAY JR.
NOTARY PUBLIC
UNTIL DECEMBER 31 2015
ADM. MATTER NO. [illegible]
PTR NO. [illegible] / Q.C.
IBP NO. [illegible] / Q.C.
ROLL NO. [illegible]
NO. 92 LEGASPI ST. PROJ. 4 Q.C.
MCLE EXEMPTED NO. 000639

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(With Comparative Figures for 2012)

(Amounts in Thousands)

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

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

(With Comparative Figures for 2012 and 2011)

(Amounts in Thousands)

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

The Company is considered a public company under Part I Section2A (i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011, which, among others, defines a public corporation as any corporation with total assets of more than P350 million or total liabilities of more than P250 million. The Company with assets of at least P50 million and having 200 or more shareholders, each of which hold at least 100 shares of its equity securities is also covered by additional requirements under SRC Rule 68, as amended, Part II. As at December 31, 2013, 2012 and 2011, the Company has 3,528 shareholders each holding at least 100 common shares of the Company.

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

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

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

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

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by Right Total, constituting 0.0021% of the total outstanding share capital of the Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to Right Total of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

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

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

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

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

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

On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by the Company on July 31, 2012. All the financial data presented for the periods prior to the merger have been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010. The effects of the Company's equity in the absorbed corporations, and intercompany receivables and payables were eliminated resulting in the combined results of operations.

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

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

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

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

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

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

In relation to the condonation of the Company's borrowings by its major creditors in 2011 as discussed in Note 13, the Company also condoned its advances to SCPC amounting to P294.6 million and P13.1 million for the reversal of accrued interest in 2010 in relation to the 2-year grace period provided by its creditors.

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

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

Due to the working capital drain experienced by the Group as a result of prior debt service payments and the difficult business and economic conditions during the period, the Group found it difficult to sustain further payments of debt while at the same time ensuring continued operations. The Company failed to settle its outstanding short-term and long-term loans which were supposed to mature at various dates in 2004, 2005 and 2006 and was declared by the lending banks in default on May 25, 2006. Subsequently until 2009, the lending banks assigned and sold their respective outstanding loan balances to various third parties. On October 14, 2010, one of the new lenders, Greenkraft Corporation (Greenkraft) further assigned some of its loan receivables to Roxburgh Investments Limited (Roxburgh).

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

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

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.
  b. A 5-year Business Plan for Steniel Mindanao Packaging Corporation (SMPC), operating subsidiary including the execution of raw material supply contracts.
  c. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.
  d. No dividend declaration or payments until the restructured obligations are fully paid.
  e. No new borrowing, unless with consent of the lenders.

f. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.
g. Creditor's consent for change in material ownership in the Group and mortgagors.
h. Standard covenants, representations and warranties.

Dacion en pago

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

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

Interest Payments

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

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

2. Basis of Preparation

Statement of Compliance

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

- PFRS 10, *Consolidated Financial Statements*

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

  An investor controls an investee when:

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

  Control is re-assessed as facts and circumstances change.

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

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

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

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

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

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

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

- PFRS 13, *Fair Value Measurement*

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

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

  The amended PAS 19 includes the following requirements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  PFRS 9 (2013) introduces the following amendments:

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

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

Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

Non-derivative Financial Assets

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

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

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

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

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

Cash

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

Receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of total comprehensive income within operating expense. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for receivables.

Financial Liabilities

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

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

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the basis of weighted average method. The cost of finished goods and work in process comprise raw materials, direct labor and other direct costs and related production overheads (based on normal operating capacity). Materials and supplies in-transit are stated at invoice cost plus importation and other incidental charges. Net realizable value for materials and supplies is the current replacement cost.

Inventories are derecognized either when sold or written-off. Provision for inventory losses is set up, when necessary, based on a review of the movement and current condition of each inventory item. Provision for inventory losses is provided, where necessary, for obsolete, slow-moving and defective inventories principally using age and physical condition as indicators. The amount of written-down inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount if inventories recognized as an expense in the period in which the reversal occurs.

Property and Equipment

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

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

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

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

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

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

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

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

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

Assets Held-for-Sale

Assets are classified as assets held-for-sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered primarily through a sale transaction rather than continuing use. When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the cots to sell that arises from the passage of time shall be presented as part of the operating expenses in the consolidated statement of comprehensive income.

An impairments loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. The Group recognizes a gain for any subsequent increase in fair value less costs to sell of an asset, not in excess of the cumulative impairment loss that has been recognized.

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

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

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

Impairment of Non-financial Assets

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

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

<u>Capital Stock</u>

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

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

<u>Retained Earnings (Deficit)</u>

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

<u>Revenue and Expense Recognition</u>

Revenues

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

The Group recognizes the revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of Goods.

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

Sale of Services

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

Interest and Other Income

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

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

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

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

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

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

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

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

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

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

Foreign Currency Transactions and Translation

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income under other expenses/income.

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

Related Party Transactions

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

Operating Segment

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

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

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

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

Contingencies

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

Events After the Reporting Date

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

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

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

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

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

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

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

5. Cash

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

6. Receivables

This account consists of:

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

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

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

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

7. Inventories

This account consists of:

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

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

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

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

8. Prepaid Expenses and Other Current Assets

This account consists of:

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

9. Assets Held-for-Sale

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

	Investment in Associate	Land and land Improvements	Building and Building Improvements	Total
Cost of Assets				
January 1, 2010	P417,779	P941	P117,592	P536,312
Accumulated Share in Net Losses				
January 1, 2010	(28,013)	-	-	(28,013)
Share in financial performance for the year	(55,197)	-	-	(55,197)
	(83,210)	-	-	(83,210)
Allowance for impairment	(199,767)	-	(22,705)	(222,472)
Carrying amount reclassified as asset-held-for sale in 2010	134,802	941	94,887	230,630
Asset-Held-for-Sale				
January 1, 2011	134,802	941	94,887	230,630
Additions/disposals	-	-	-	-
December 31, 2011	134,802	941	94,887	230,630
Disposals in 2012	(118)	-	-	(118)
Write-off	(13,835)	-	-	(13,835)
December 31, 2012	120,849	941	94,887	216,677
Additions	55,197	-	-	55,197
December 31, 2013	176,046	941	94,887	271,874
Net Book Values				
December 31, 2012	P120,849	P941	P94,887	P216,677
December 31, 2013	P176,046	P941	P94,887	P271,874

The investment in associate represents 249,500 common shares and 738,870 voting preferred shares of the Group in SLC, a domestic land holding company organized and incorporated in the Philippines on September 12, 2000. The Group's share in results of operations of SLC is based on the Company's direct 10.22% equity plus the 29.49% aggregate equity in SLC held by three (3) wholly-owned subsidiaries. In 2010, the Group assessed the fair value of the land based on zonal value obtained from the municipal office amounted to P134,802 which resulted in recognition of impairment loss.

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

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

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

10. Property and Equipment

This account consists of:

	Machinery and Equipment	Transportation and Office Equipment	Leasehold and Land Improvements	Total
Cost				
January 1, 2012	P219,445	P19,412	P30,032	P268,889
Additions	9,648	746	8,919	19,313
Disposals	-	(450)	-	(450)
December 31, 2012	229,093	19,708	38,951	287,752
Additions	11,526	-	-	11,526
Transfers	(55,197)	-	-	(55,197)
Disposals	(165,132)	(19,708)	(38,951)	(223,791)
December 31, 2013	**20,290**	**-**	**-**	**20,290**
Accumulated Depreciation and Amortization				
January 1, 2012	188,050	15,962	26,459	230,471
Depreciation	6,367	1,296	1,097	8,760
Disposals	-	(450)	-	(450)
December 31, 2012	194,417	16,808	27,556	238,781
Depreciation	1,926	-	-	1,926
Disposals	(193,898)	(16,808)	(27,556)	(238,262)
December 31, 2013	**2,445**	**-**	**-**	**2,445**
Net Book Values				
December 31, 2012	P34,676	P2,900	P11,395	P48,971
December 31, 2013	**P17,845**	**P -**	**P -**	**P17,845**

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

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

11. Available-for-Sale Financial Assets

The account consists of investments in shares of stock of utility companies and golf/country club memberships which the Group does not intend to dispose in the short-term and as such, were designated as available-for-sale financial assets.

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

12. Trade Payables and Other Current Liabilities

This account consists of:

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

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

13. Long-Term Borrowings

This account consists of:

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

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

The property and equipment of the Company and its subsidiaries and present and future receivables and inventories of its subsidiaries are used as collateral in accordance with the Amended Agreement.

Further, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries and payment terms as discussed in Note 1 which is due after completion of *dacion en pago* or sale of properties that is expected to complete until first quarter of 2004. Upon approval of the Amended Agreement, the above creditors are aware of the Company's non-compliance with covenant due to the Company's financial condition and such will not be a ground for default on the Amended Agreement.

As discussed in Note 1, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011 amounting to P294.6 million. In addition, the accrued interest in 2010 amounting to P131,067 was also reversed in 2011 in relation to the 2-year grace period provided by its creditors.

14. Retirement Benefits

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

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

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

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

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

**As restated (Note 3).*

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

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

**As restated (Note 3).*

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

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

**As restated (Note 3).*

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

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

**As restated (Note 3).*

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

	2013	2012
Discount rates	5.40%	4.88%
Expected rate of salary increases	3.00%	4.00%

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

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

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

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

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

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

15. Related Party Transaction

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

Transactions with related parties are as follows:

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

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

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

16. Significant Agreements

Tolling Agreements

The Group has tolling agreements with certain customers wherein these customers will provide the paper rolls for the Group to process or manufacture into corrugated fiber board boxes at a guaranteed volume subject to the production frequency and specifications to be agreed by both parties. For the services provided, the Group will receive tolling fees. For 2013 and 2012, tolling services are made on a per purchase order basis and reported as service income.

17. Cost of Sales and Services

This account consists of:

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

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

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

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

18. Operating Expenses

This account consists of:

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

19. Other Expenses - net

This account consists of:

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

20. Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

**As restated (Note 3).*

21. Earnings Per Share

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

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

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

22. Financial Risk and Capital Management, Objectives and Policies

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

- Liquidity Risk
- Credit Risk
- Market Risk

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

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

December 31, 2013

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

December 31, 2012

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

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

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

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

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

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

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

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

Market Risk

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

The Group is subject to foreign exchange rates risks.

Foreign Exchange Risk

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

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

Capital Management

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

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

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

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

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

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

23. Financial Instruments

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

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

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

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

24. Segment Information

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

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

2013

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

2012

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

2011

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

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

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

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

	Manufacturing	All Other Segments	Total
2013			
Capital expenditure	P -	P11,526	P11,526
Depreciation and amortization expense	-	1,926	1,926
2012			
Capital expenditure	10,503	8,810	19,313
Depreciation and amortization expense	8,583	177	8,760
2011			
Capital expenditure	15,474	-	15,474
Depreciation and amortization expense	10,752	83	10,835

25. Commitments

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

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

KPMG

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REPORT OF INDEPENDENT AUDITORS

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

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

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

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

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

R.G. MANABAT & CO.

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Issued May 9, 2013; valid until May 8, 2016
PTR No. 4225138MC
Issued January 2, 2014 at Makati City

April 9, 2014
Makati City, Metro Manila

Steniel Manufacturing Corporation and Subsidiaries

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary		✔		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans	✔		
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PFRS 8	Operating Segments			✔
PFRS 9	Financial Instruments	✔		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
PFRS 10	Consolidated Financial Statements			✔
	Amendment to PFRS 10: Transition Guidance			✔
	Amendment to PFRS 10: Investment Entities* (effective January 1, 2014)			✔
PFRS 11	Joint Arrangements			✔
	Amendment to PFRS 11: Transition Guidance			✔
PFRS 12	Disclosure of Interests in Other Entities			✔
	Amendments to PFRS 12: Transition Guidance			✔
	Amendments to PFRS 12: Investment Entities* (effective January 1, 2014)			✔
PFRS 13	Fair Value Measurement	✔		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Comparative Information beyond Minimum Requirements	✔		
	Amendments to PAS 1: Presentation of the Opening Statement of Financial Position and Related Notes	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
	Amendments to PAS 16: Classification of Servicing Equipment	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Amended)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✔	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔

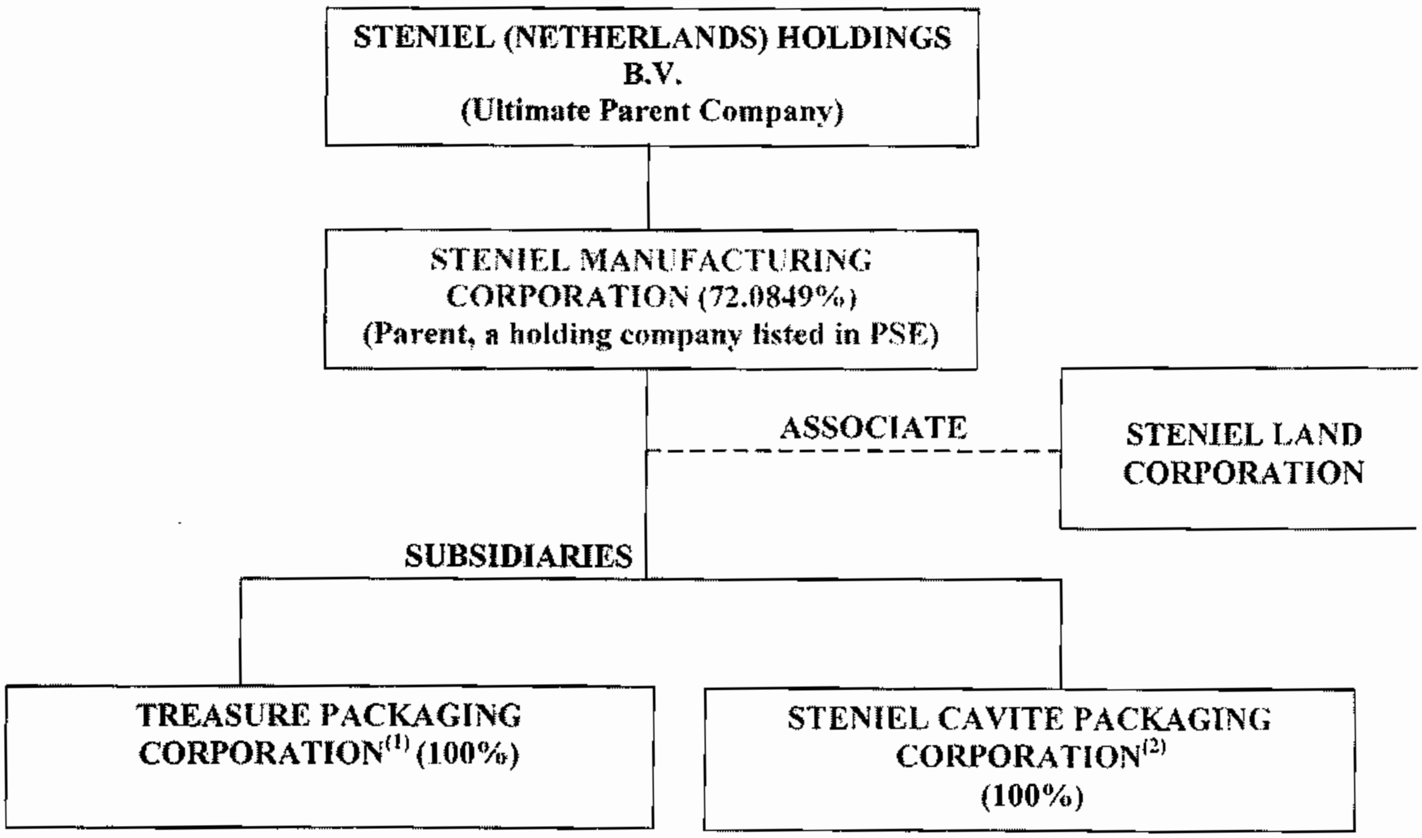
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✔
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives	✔		
	Amendments to Philippine Interpretation IFRIC -9 and PAS 39: Embedded Derivatives	✔		
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✔		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners	✔		
IFRIC 18	Transfers of Assets from Customers	✔		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✔		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies	✔		
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives	✔		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

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

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

MAP OF THE CONGLOMERATE



(1) ceased operations in 2008

(2) ceased operations in 2006

Schedule A

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Financial Assets
December 31, 2013
(All amounts in Philippine Peso, except number of shares)

Name of Issuing Entity	Number of shares	Amount shown in the statement of financial position	Income received and accrued
Available-For-Sale			
PLDT	25,755	257,550	-
Fil-Estate	1	540,000	-
Metro Drug Distribution		8,333	-
Meralco	13,900	139,000	-
Manila Water Corp	220,000	5,931,500	-
Melco Crown Plaza	303,000	3,985,000	-
		10,861,383	

Schedule C

Steniel Manufacturing Corporation and Subsidiaries

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

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

Schedule D

Steniel Manufacturing Corporation and Subsidiaries

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

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

Schedule E

Steniel Manufacturing Corporation and Subsidiaries

Long-Term Debts
December 31, 2012 and 2013
(All amounts in Philippine Peso)

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

Schedule F

Steniel Manufacturing Corporation and Subsidiaries

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

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

Schedule G

Steniel Manufacturing Corporation and Subsidiaries

Guarantees of Securities of Other Issuer
December 31, 2012 and 2013
(All amounts in Philippine Peso)

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

Schedule H

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Share Capital
December 31, 2012 and 2013
(All amounts in Philippine Peso)

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

COVER SHEET

ANNEX "C"

0 0 0 0 0 0 2 3 7 3 6

S.E.C. Registration Number

STENIEL MANUFACTURING CORPORATION

(Company's Full Name)

GATEWAY BUSINESS PARK BRGY. JAVALERA GEN. TRIAS CAVITE

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

ELIZA C. MACURAY

Contact Person

361 9061

Company Telephone Number

1 2 | 3 1

Month *Day*

Fiscal Year

SEC Form 17-Q

FORM TYPE

Last Tuesday of April

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes.

SEC Number 23736
File Number ____

<u>Steniel Manufacturing Corporation</u>
(Company's Full Name)

<u>Gateway Business Park,</u>
<u>Javalera, General Trias, Cavite</u>
(Company's Address)

<u>(046) 433-0066</u>
(Telephone)

<u>Not Applicable</u>
(Fiscal Year Ending)
(month & day)

<u>Form 17-Q</u>
Form Type

<u>Not Applicable</u>
Amendment Designation (If applicable)

<u>March 31, 2014</u>
Period Date Ended

<u>Not Applicable</u>
Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

Form 17-Q

STENIEL MANUFACTURING CORPORATION

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

1. For the quarterly period ended	:	March 31, 2014
2. SEC Identification Number	:	23736
3. BIR Tax Identification Number	:	000-099-128
4. Exact Name of Registrant	:	Steniel Manufacturing Corporation
5. Country of Incorporation	:	Metro Manila, Philippines
6. Industry Classification Code	:	
7. Address of principal office	:	Gateway Business Park Javalera, Gen. Trias, Cavite
8. Registrant's telephone number	:	(02) 361-9061

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

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

*[1] *Reported by the stock transfer agent as of March 31, 2014*

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

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

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

SIGNATURES

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

Registrant	:	Steniel Manufacturing Corporation
		By
Signature	:	Eliza C Macuray
Title	:	Vice President and CFO
Date	:	May 15, 2014

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

TABLE OF CONTENTS

Exhibit 1

Steniel Manufacturing Corporation and Subsidiaries
Consolidated Statements of Total Comprehensive Income
For the period ended March 31, 2014, December 31, 2013
(All Amounts in Philippine Peso)
(Unaudited)

	31-Mar-14	31-Dec-13	31-Mar-13
Revenues			
Product sales	-	710,658	119,235
Service and rental income	1,800	15,649	3,074
Total revenues	1,800	726,307	122,309
Cost of sales and services		(664,986)	(114,575)
Gross profit	1,800	61,321	7,734
Operating expenses	(1,745)	(43,004)	(3,505)
Other income (expenses), net	92	(84,340)	(143)
Income (Loss) before provision for income tax	147	(66,023)	4,086
Income Tax Expense (Benefit)		(10,147)	(128)
Net Income (Loss)	147	(76,170)	3,958
Other Comprehensive Income (Loss)			
Item that will never be reclassified to profit or loss			
Remeasurement of defined benefit obligation		270	
Income tac benefit (expense)		(81)	
	-	189	-
Total Comprehensive Income (Loss)	147	(75,981)	3,958
Basic and Diluted Earnings (Loss) Per Common Share	0.0001	(0.0762)	0.0040

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

Steniel Manufacturing Corporation &
Subsidiaries
Consolidated Balance Sheets
(Unaudited)

In Php '000	31-Mar-2014	31-Dec-2013	31-Mar-2013
Current Assets			
Cash & Short-term Investments	2,448	1,604	17,333
Receivables - net	194,916	238,229	150,978
Inventories	0	0	170,939
Prepaid Expenses and other current assets	117,810	117,622	225,797
	315,174	357,456	565,046
Assets held for Sale	216,677	216,677	216,677
Total current assets	531,850	574,132	781,723
Non Current Assets			
Property, Plant & Equipment - net	17,341	17,845	58,003
Available-for-sale financial assets	10,861	10,861	696
Other Non Current Assets	20	20	8,467
Total non-current assets	28,222	28,726	67,166
Total Assets	560,073	602,858	848,888
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Trade Payables and other current liabilities	254,665	277,597	445,449
Payable to government agencies	775	775	128
Total current liabilities	255,440	278,372	445,577
Non-current Liabilities			
Long-term Borrowings	548,301	568,301	568,301
Retirement benefits liability	0	0	0
Total non-current liabilities	548,301	568,301	568,301
Total Liabilities	803,741	846,673	1,013,878
Stockholders' Equity			
Capital Stock	1,000,000	1,000,000	1,000,000
Additional paid-in capital	414,632	414,632	414,632
Reserve for retirement benefits liabilty	0	0	0
Accumulated Deficit	(1,658,301)	(1,658,447)	(1,579,621)
Total Stockholders' Equity	(243,668)	(243,815)	(164,989)
Total Liabilities & Stockholders' Equity	560,073	602,858	848,888

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

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31
UNAUDITED

(In Thousands)	31-Mar-14	31-Dec-13	31-Mar-13
Capital stocks			
Authorized – 1 billion common shares, P1 per share			
Issued and outstanding	1,000,000	1,000,000	1,000,000
Additional paid-in capital	414,632	414,632	414,632
Retained earnings/(deficit)			
Beginning	(1,658,447)	(1,584,158)	(1,583,579)
Net income/(loss) for the period	147	(74,289)	3,958
Ending	(1,658,300)	(1,658,447)	(1,579,621)
Stockholders' Equity	(243,668)	(243,815)	(164,989)

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

Steniel Manufacturing Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For the 1st quarter of 2014 and the year ended December 31, 2013
(All Amounts in Philippine Peso)

In Php '000	31-Mar-2014	31-Dec-2013	31-Mar-2013
Cash flows from operating activities			
Income (loss) before income tax	147	(66,023)	3,958
Adjustments for:			
Loss on disposal of a subsidiary		135,107	
Depreciation & amortization	504	13,439	2,844
Provision for impairment (reversal of) losses on receivables		1,283	
Retirement benefit expense		514	
Write-off of accruals			
Provision for (Reversal of) impairment of receivables		(32,553)	
Interest income from banks			(5)
Provision for (Reversal of) inventory write down			
Gain on sale of property, equipment & investment			
Write-off of prepaid taxes and asset-held-for-sale			
Operating income (loss) before working capital changes	651	51,767	6,796
Decrease (increase) in:			
Receivables	43,314	(33,029)	
Prepaid expense and other current assets	(189)	8,302	108
Inventories		0	1,462
Trade Payables and other current liabilities	(22,932)	(112,055)	5,824
Payable to government agencies			(374)
Cash generated from (absorbed by) operations	**20,844**	**(85,015)**	**13,816**
Interest received		0	5
Pension benefits paid		0	
Net cash provided by (used in) operating activities	20,844	**(85,015)**	**13,821**
Cash flows from investing activities			
Proceeds from sale of a subsidiary		20,000	
Acquisition of available-for-sale assets		(9,900)	
Additions to property, plant and equipment		(11,526)	(11,876)
Proceeds from sale of property, plant & equipment			
Increase (decrese) in other non-current receivable		70,928	(1,730)
Net cash provided by (used in) investing activities	**0**	**69,502**	**(13,606)**
Cash flows from a financing activity			
Decrease in borrowings	(20,000)		
Net cash used in financing activity	(20,000)	0	0
Net increase (decrease) in cash & cash equivalents	**844**	**(15,513)**	**216**
Cash & cash equivalents, beginning	**1,604**	**17,117**	**17,117**
Cash & cash equivalents, ending	**2,448**	**1,604**	**17,333**

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

Exhibit 2

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

1. Corporate Information

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

The Company is considered a public company under Part I Section2A (i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011, which, among others, defines a public corporation as any corporation with total assets of more than
P350 million or total liabilities of more than P250 million. The Company with assets of at least P50 million and having 200 or more shareholders, each of which hold at least 100 shares of its equity securities is also covered by additional requirements under
SRC Rule 68, as amended, Part II. As at December 31, 2013, 2012 and 2011, the Company has 3,528 shareholders each holding at least 100 common shares of the Company.

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

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

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

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

On January 25, 2012, the Company received a tender offer report from Right Total to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P334.9 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by Right Total, constituting 0.0021% of the total outstanding share capital of the Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to Right Total of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

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

The unaudited interim consolidated financial statements of the Company and its subsidiaries have been approved and authorized for issuance by the Company's Board of Directors on May 15, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2013 annual audited consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of and for the year ended December 31, 2013.

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

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

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

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

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

  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
  - changed the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.
- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

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

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

- PFRS 10, *Consolidated Financial Statements*

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

  An investor controls an investee when:

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

  Control is re-assessed as facts and circumstances change.

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

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

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

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

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

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

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

- PFRS 13, *Fair Value Measurement*

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

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

  The amended PAS 19 includes the following requirements:

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

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

Changes in Accounting Policy

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

Basis of Consolidation

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

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

SCPC

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

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

On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by the Company on July 31, 2012. All the financial data presented for the periods prior to the merger have been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010. The effects of the Company's equity in the absorbed corporations, and intercompany receivables and payables were eliminated resulting in the combined results of operations.

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

TPC

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

SMPC

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

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

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

3. Cash and cash equivalents

Cash at March 31 consist of cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates between 0.25% to 0.625%.

4. Trade and other receivables

Trade and other receivables consist of:

	March 31, 2014	December 31, 2013	March 31, 2013
Trade Receivables	41,157	52,411	122,931
Allowance for doubtful accounts	(35,677)	(35,677)	(53,188)
	5,481	16,734	69,742
Non-trade receivables:			
Creditable withholding taxes	4,996	4,996	4,996
Excess Input VAT	48,210	48,210	48,210
Other receivables	139,973	172,033	31,352
	193,179	225,239	84,559
Allowance for doubtful accounts	(3,744)	(3,744)	(3,323)
	194,916	238,229	150,978

5. **Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consist of:

	March 31, 2014	December 31, 2013	March 31, 2013
Creditable withholding taxes	89,745	89,655	106,870
Input VAT	35,196	35,097	122,693
Other prepayments	1,052	1,053	4,559
	125,993	125,804	234,122
Allowance for doubtful accounts	(8,183)	(8,183)	(8,325)
	117,810	117,622	225,797

6. **Assets held-for-sale**

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

7. **Accounts payables and accruals**

Accounts payables and accruals consist of:

	March 31, 2014	December 31, 2013	March 31, 2013
Trade Payables	230,252	254,001	368,021
Accruals and others	4,441	3,624	57,455
Payable to an associate	19,972	19,972	19,973
	254,665	277,597	445,449

8. **Long-term Borrowings**

Long-term borrowings consist of:

	March 31, 2014	December 31, 2013	March 31, 2013
Greenkraft Corporation	360,578	380,578	380,696
Roxburgh Investments Limited	187,723	187,723	187,723
	548,301	568,301	568,419

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

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

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

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

Consequently, the Company and its major creditors/lenders signed the Amended Agreement on October 15, 2010. The restructuring of the loan finally resolved the default situation. The Company's accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned during the year by its major creditors amounting to P294,634 thousand. In addition, the accrued interest in 2010 amounting to P13,052 thousand was also reversed in 2011 in relation to the 2-year grace period provided by its creditors .Further to this, additional 2-year grace period was provided by the creditors commencing repayment of the loan on January 01, 2015.

9. Share capital

Share capital as at March 31, 2014 and December 31, 2013 consist of:

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

10. Others

(a) Commitments and contingent liabilities

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

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

(b) Related party transactions

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

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Exhibit 3

Part 1: PERFORMANCE INDICATORS

The following key performance indicators have been identified in measuring the performance of the Company: a) sales revenues, b) operating expenses, c) income from operations, and d) financial ratios. Key performance indicators are expressed in absolute peso amounts. These indicators are monitored on a periodic basis and are compared against targets set at the beginning of each year.

Revenues Consolidated revenue for the 1st quarter of 2014 posted Peso 1.8 million arising from lease activity while the same period last year posted Peso 122.3 million. The decrease was mainly due to the business activity shift as an impact of the sale of SMPC in December, 2013..

Operating expenses Operating expenses on a consolidated basis for the current quarter totaled Peso 1.745 million is lower than last year of Peso 3.5 million. Continued control of operating expenses is being observed.

Income/(loss) from operations Overall, the Company reported net income from operations for the current quarter of Peso .147 million as compared with the same period last year of Peso 4.1 million. This was mainly due to the reasons cited in the foregoing explanations.

Financial ratios Consolidated current assets as at March 31, 2014 totaled Peso 531.850 million while current liabilities as at the same date totaled Peso 255.440 million. Current assets as at current quarter-end slightly changed as compared with the year-end balance attributed to collection from related parties and associates., Consequently, the balance of accounts payable and accrual as at March 31, 2014 also decreased as compared with the the year-end balance. With respect to long-term borrowings, there is also a decrease in Peso 20 million. Working capital ratio for the current quarter is 2.08. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

Part 2: MANAGEMENT DISCUSSION AND ANALYSIS

General Information and Group Structure

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

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

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

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

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

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

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

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

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

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

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

Status of Operation

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

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

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

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

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

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

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

Results of Operations

Consolidated revenue for the 1st quarter of 2014 arising from the leasing activity amounted to Peso 1.8 million. There was a significant reduction of the revenue reported compared to year-end and same period last year as an effect of the sale of the operating company in December 27, 2013.

Operating expenses on a consolidated basis for the current quarter totaled Peso 1.745 million is lower than last year of Peso 3.5 million. Continued control of operating expenses is being observed.

The creditors granted the Company another 2-year grace period in the payment of interest commencing on the restructuring date. Thus, there are no financing charges recognized during the period reported.

Operating Plans

Consequential to the sale of SMPC shares held by SMC, the Company's key strategies are focused towards leasing the remaining assets to its subsidiary, specifically the plant in Davao.

Financial Condition

Consolidated current assets as at March 31, 2014 totaled Peso 531.850 million while current liabilities as at the same date totaled Peso 255.440 million. Current assets as at current quarter-end slightly changed as compared with the year-end balance attributed to collection from related parties and associates., Consequently, the balance of accounts payable and accrual as at March 31, 2014 also decreased as compared with the the year-end balance. With respect to long-term borrowings, there is also a decrease in Peso 20 million. Working capital ratio for the current quarter is 2.08. Working capital ratio is computed as the ratio of current assets over current liabilities. Debt-to-equity ratio is not computed for the current quarter because of the negative equity balance.

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

There are no events that will trigger direct or contingent financial obligation that is material to the company and there are no off-balance sheet transactions or arrangements with any unconsolidated entity or other person during the period being reported Consolidated total assets as at current quarter-ending March 31, 2014 amounted to Peso 560.073 million as compared to Peso 602.858 million as at December 31, 2013.

Financial Risk Management

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

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

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

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

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

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

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

PFRS 9, Financial Instruments

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

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