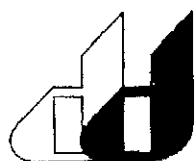


NPC Alliance Corporation

Financial Statements
December 31, 2013, 2012 and 2011

and

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
NPC ALLIANCE CORPORATION
44th Floor PBCOM Tower
Ayala Avenue, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of **NPC ALLIANCE CORPORATION**, which comprise the statements of financial position as at December 31, 2013, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NPC ALLIANCE CORPORATION as at December 31, 2013, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in accordance with the Philippine Financial Reporting Standards.

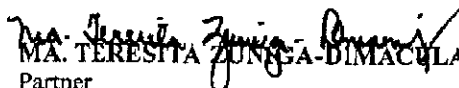
Emphasis of a Matter

We draw attention to Note 1 to the financial statements which indicate that the Company has sustained continuing losses from operations resulting in accumulated deficit of ₱9.12 billion, ₱8.62 billion and ₱7.90 billion as at December 31, 2013, 2012 and 2011, respectively, and as at that dates, the Company's total liabilities exceeded its total assets by ₱3.56 billion, ₱3.06 billion and ₱2.33 billion, respectively. These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern. To enable the Company to continue as a going concern, the Company's related parties have committed to provide financial support and assistance as required to enable the Company to meet its working capital requirements and to settle its corporate obligations as they fall due and not to demand payment until such time that the Company is in good financial condition. However, the conversion of the deposit for future stock subscription, as discussed in Notes 12, had been held pending abeyance of a Court and arbitral decision on a legal case against a minority interest. The accompanying financial statements do not include any adjustment that might result from the outcome of these uncertainties.

We have performed the applicable audit procedures under the circumstances on these plans of action. We believe that these concrete management strategies are highly feasible with all likelihood to improve the Company's future business outlook.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 19-2011

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of NPC ALLIANCE CORPORATION. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


MA. TERESITA ZUNGA-DIMACULANGAN
Partner

CPA Certificate No. 0036077

SEC Accreditation No. 200-AR-2 (Group C) (June 21, 2011 to June 20, 2014)

BOA Registration No. 0416 (January 01, 2013 to December 31, 2015)

BIR Accreditation No. 08-002906-1-2013 (September 20, 2013 to September 19, 2016)

Tax Identification No. 133-451-815

PTR No. MKT 4242141

January 15, 2014

June 3, 2014
Makati City
Philippines

NPC ALLIANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Peso)

		December 31		
		2013	2012	2011
ASSETS	Notes		<i>As Restated</i> <i>(Note 21)</i>	<i>As Restated</i> <i>(Note 21)</i>
CURRENT ASSETS				
Cash	4	259,880,172	18,842,271	7,782,327
Trade receivables	5	636,521,948	263,278,990	217,082,111
Inventories	6	605,827,064	1,035,622,399	548,140,128
Prepayments and other current assets	7	747,941,047	654,328,320	532,578,991
		2,250,170,231	2,002,071,980	1,305,583,557
NONCURRENT ASSETS				
Property, plant and equipment (net)	8	3,240,175,609	3,596,417,396	3,950,899,675
Intangible assets	9	220,968,237	268,890,237	320,134,724
Other assets	7	55,844,574	55,844,574	55,844,574
		3,516,988,420	3,921,152,207	4,326,878,973
TOTAL ASSETS		5,767,158,651	5,923,224,187	5,632,462,530
LIABILITIES, NET OF CAPITAL DEFICIENCY				
CURRENT LIABILITIES				
Trade and other payables	10	8,662,419,984	8,314,122,390	7,303,397,599
Due to a related party	20	660,652,849	660,652,849	660,652,849
		9,323,072,833	8,974,775,239	7,964,050,448
NONCURRENT LIABILITY				
Retirement benefits obligation	11	4,139,609	3,586,853	3,034,097
TOTAL LIABILITIES		9,327,212,442	8,978,362,092	7,967,084,545
CAPITAL DEFICIENCY				
Capital stock	13	4,772,500,000	4,772,500,000	4,772,500,000
Deposit for future stock subscription	12	791,000,000	791,000,000	791,000,000
Deficit		(9,123,553,791)	(8,618,637,905)	(7,898,122,015)
		(3,560,053,791)	(3,055,137,905)	(2,334,622,015)
TOTAL LIABILITIES, NET OF CAPITAL DEFICIENCY		5,767,158,651	5,923,224,187	5,632,462,530

See accompanying Notes to Financial Statements.

NPC ALLIANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Peso)

Years Ended December 31			
	<i>Notes</i>	2013	2012 <i>As Restated (Note 20)</i>
SALES	2	2,779,938,983	2,743,346,250
COST OF SALES	14	3,167,180,853	3,198,741,313
GROSS LOSS		(387,241,870)	(455,395,063)
OTHER INCOME (EXPENSES)	15	83,665,050	(13,879,170)
SELLING AND DISTRIBUTION EXPENSES	16	(23,597,924)	(39,281,931)
GENERAL AND ADMINISTRATIVE EXPENSES	17	(177,741,142)	(211,959,725)
LOSS BEFORE INCOME TAX		(504,915,886)	(720,515,889)
PROVISION FOR INCOME TAX	23	-	-
NET LOSS FOR THE YEAR		(504,915,886)	(720,515,889)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS		(504,915,886)	(720,515,889)

See accompanying Notes to Financial Statements.

NPC ALLIANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Amounts in Philippine Peso)

	Capital Stock (Note 13)	Deposit for Future Stock Subscription (Note 12)	Deficit (Note 1)	Capital Deficiency
As at January 1, 2012, as previously stated	4,772,500,000	791,000,000	(7,438,053,275)	(1,874,553,275)
Correction of prior period errors (Note 21)			(460,068,741)	(460,068,741)
As at January 1, 2012, as restated	4,772,500,000	791,000,000	(7,898,122,016)	(2,334,622,016)
Net loss for the year			(720,515,889)	(720,515,889)
As at December 31, 2012, as restated	4,772,500,000	791,000,000	(8,618,637,905)	(3,055,137,905)
Net loss during the year			(504,915,886)	(504,915,886)
Balance at December 31, 2013	4,772,500,000	791,000,000	(9,123,553,791)	(3,560,053,791)

See accompanying Notes to Financial Statements.

NPC ALLIANCE CORPORATION
STATEMENTS OF CASH FLOWS
(Amounts in Philippine Peso)

Years Ended December 31			
			2012
	<i>Notes</i>	2013	<i>As restated (Note 20)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(504,915,886)	(720,515,889)
Adjustments to reconcile loss before income tax to net cash provided by operating activities:			
Depreciation	8,14,17	357,800,774	355,346,338
Amortization of intangible assets	9,17	47,922,000	51,244,486
Retirement benefits	11,17	552,756	552,756
Interest income	15	(128,923)	(60,186)
Operating loss before working capital changes		(98,769,279)	(313,432,495)
Changes in working capital components			
Decrease (increase) in:			
Trade receivables	5	(343,242,958)	(76,196,879)
Inventories	6	429,795,335	(487,482,271)
Prepayments and other current assets	7	(93,612,727)	(121,749,329)
Increase in trade and other payables	10	348,297,594	1,010,724,790
Net cash generated from operations		242,467,965	11,863,817
Interest received	15	128,923	60,186
Net cash provided by operating activities		242,596,888	11,924,003
CASH FLOWS FROM INVESTING ACTIVITY			
Additions to property, plant and equipment	8	(1,558,987)	(864,059)
NET INCREASE IN CASH		241,037,901	11,059,944
CASH AT BEGINNING OF YEAR		18,842,271	7,782,327
CASH AT END OF YEAR		259,880,172	18,842,271

See accompanying Notes to Financial Statements.

NPC ALLIANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011
(Amounts in Philippine Pcs0)

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

NPC ALLIANCE CORPORATION (the "Company") was incorporated on August 8, 2005 in the Republic of the Philippines per Securities and Exchange Commission registration No. CS200513521 and started its commercial operations on August 1, 2007. Its purpose is to engage in the general business of the petrochemical industry, mainly in the manufacture of polyethylene resins.

The registered office address of the Company is at 44th Floor, PBCor Tower, Ayala Avenue, Makati City.

As discussed in Note 18, the Company is a BOI registered enterprise (as a producer of Polyethylene Resins) pursuant to the Omnibus Investment Code, entitled to enjoy and avail certain tax holidays incentives and benefits from 2006 to 2012. On July 24, 2012, the BOI approved the application of the Company for the extension for one (1) year of the Company's income tax holiday (ITIL) incentive. The approved bonus year under the Company's Certificate of Registration No. DP94-572 is for the period July 1, 2012 to June 30, 2013.

Status of Operations

The Company has sustained continuing losses from operations resulting in accumulated deficit of P9.12 billion, P8.62 billion and P7.90 billion as at December 31, 2013, 2012 and 2011, respectively, and as at that dates, the Company's total liabilities exceeded its total assets by P3.56 billion, P3.06 billion and P2.33 billion, respectively.

To enable the Company to continue as a going concern, the Company's related parties have committed to provide financial support and assistance as required to enable the Company to meet its working capital requirements and to settle its corporate obligations as they fall due and not to demand payment until such time that the Company is in good financial condition. In addition, the conversion of the deposit for future subscription, as discussed in Note 12, had been held pending abeyance of a Court and arbitral decision on a legal case against a minority interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of Preparation of Financial Statements

The financial statements have been prepared on the historical cost basis, except otherwise stated. The measurement bases are more fully described in the accounting policies that follow.

(b) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

(c) Presentation of Financial Statements

The financial statements are presented in accordance with PAS 1 (Revised 2007), *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Company applies an accounting policy retrospectively, makes retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(d) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (*the functional currency*).

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS, which became effective on January 1, 2013:

- PFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities*. These amendments require an entity to disclose information about rights of set-off and related arrangement (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a.) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b.) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c.) The net amounts presented in the statement of financial position;
 - d.) The amounts subject to an enforceable master netting arrangement or similar agreements that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and,
 - ii. Amounts related to financial collaterals (including cash collateral); and,
 - e.) The net amounts after deducting the amounts in (c) from the amounts in (d) above.

The amendments should be retrospectively applied. The amendments did not have a significant impact on the Company's financial position or performance since it has no financial instrument that is subject to an enforceable master netting arrangement or similar agreement. The related PFRS 7 disclosures of the Company's financial assets and financial liabilities are included in Note 25.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidate financial statements. It also includes the issue raised in SIC-12, *Consolidated – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of the standard did not have an impact to the Company's financial position and performance since it has no ownership in other entities.

- **PFRS 11, *Joint Agreements*** – PFRS 11 replaces PAS 31, *Interest in Joint Ventures and SIC 13, Jointly-controlled Entities – Non-monetary Contributions by Venturers*. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), and must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The standard did not have an impact to the Company's financial position and performance since it has not entered into any joint arrangement.
- **PFRS 12, *Disclosure of Interest with Other Entities***. This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard did not have a significant impact on the Company's financial position and performance since it has no ownership in other entities.
- **PFRS 13, *Fair Value Measurement***. This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values. The standard did not have an impact on the Company's financial position and performance since due to the short-term nature of the Company's financial instruments, the fair values approximate their carrying amounts. Fair value hierarchy of financial instruments is provided in Note 25.

- **PAS 1, *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income***. The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Company's financial position or performance.
- **PAS 19, *Employee Benefits (Amendment)***. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendments also require new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The Company is still assessing the impact of the amendment and is in process of hiring an actuary services to determine the amount of retirement obligation the Company has to its employees.
- **Revised PAS 27, *Separate Financial Statements*** – As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to the accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The standard did not have impact to the financial position and financial performance of the Company since the Company does not have subsidiaries, jointly controlled entities and associates.
- **Revised PAS 28, *Investment in Associates and Joint Ventures***. As a consequence of the new PFRS 11, Joint Arrangements, and PFRS 12, PAS 28 has been renamed PAS 28, Investments in Associates and Joint Ventures and describes the application of the equity method to investments in joint ventures, in addition to associates. The standard did not have impact to the financial position and financial performance of the Company since it does not have any investments in associates and joint ventures.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation did not have any impact on the Company's financial position or performance since it is not involved in mining activities.
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Government Loans (Amendments)*. The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39 and PAS 20 to government loans retrospectively if the information needed to do so have been obtained at the time of initially accounting for those loans.

These amendments did not have an impact to the Company's financial statements since it is not a first-time adopter of PFRS.

Future Changes in Accounting Policies

The Company will adopt the following amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the financial statements.

Effective in 2014:

- PAS 36, *Impairment of Asset, Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments will not have a significant impact on the Company's financial statements since it has no impairment of nonfinancial assets.
- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*. These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendment will not have an impact on the Company's financial statements since it has no investment entity.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The interpretation will not have any impact in the Company's financial statements since it has no levies.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments will have no impact on the Company's financial position or performance since it has no hedging instruments.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is not expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective in 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2013. The standard introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in PAS 39, *Financial Instruments: Recognition and Measurement*. The approach in the new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39.
- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this Philippine Interpretation will not have an impact to the Company's financial position since it is not involved in real estate activities.

- PFRS 9, *Financial Instruments: Classification and Measurement*. PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Company has not early adopted any other standard, interpretations or amendment that was issued but is not effective as at December 31, 2013.

Summary of Significant Accounting and Financial Policies

Financial Instruments

Initial Recognition

The Company recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial measurement

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred.

Classification

On initial recognition, the Company classifies its financial assets in the following categories: (a) financial assets at FVPL, (b) loans and receivables, (c) held-to-maturity (HTM) investments and (d) available-for-sale (AFS) financial assets. The Company also classifies its financial liabilities into (a) financial liabilities at FVPL and (b) 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 the end of each reporting period. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2013, 2012 and 2011, the Company does not have any financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Subsequent measurement

AFS financial assets and financial assets and liabilities at FVPL are subsequently measured at fair value. Loans and receivables and HTM investments are subsequently measured at amortized cost using the effective interest method. Other financial liabilities are measured at amortized cost using the effective interest method.

Determination of Fair Value and Fair Value Hierarchy

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For financial instruments where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

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

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

Fair value measurement disclosures of financial assets are presented in Note 24 to the notes to financial statements.

"Day 1" Difference

When 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition

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

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

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

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013, 2012 and 2011, included under loans and receivables are the Company's cash and trade receivables (see Notes 4 and 5).

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2013, 2012 and 2011, included under other financial liabilities are the Company's trade and other payables and due to a related party (see Notes 10 and 20).

Offsetting of Financial Assets and Financial Liabilities

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

Impairment of Financial Assets

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

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

Financial Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

Financial Assets Carried at Amortized Cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed 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 a collective assessment of impairment.

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

If in a subsequent date, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

Cash

Cash includes cash on hand and in banks. They are carried in the statement of financial position at face or at nominal amount. Cash in bank earns interest at the prevailing bank deposit rates.

Trade Receivables

Trade receivables, which are based on normal credit terms and do not bear interest, are recognized and carried at original invoice amounts. When credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined using the weighted average cost method. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Finished Goods – cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs based on normal operating capacity excluding borrowing costs; and
- Raw and scrap materials and factory supplies – purchase cost determined on a weighted average cost basis.
- Work in Process – cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs less estimated cost of completion and the estimated cost necessary to make the sale.

The NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs to complete and the estimated costs necessary to make the sale. NRV of raw and factory supplies are the current replacement cost.

Prepayments and Other Current Assets

Prepayments and other current assets are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid insurance and rentals. Prepaid insurance and rentals are apportioned over the period covered by the payment and charged to the appropriate accounts in the statement of comprehensive income when incurred. Other current assets are recognized when paid and being measured at cost.

Prepayments and other current assets that are expected to be realized within twelve (12) months after the reporting date are classified as current asset; otherwise, these are classified as other noncurrent asset.

Prepayments and other current assets are recognized when paid and carried at cost less any amortized portion.

Property, Plant and Equipment

Property, plant and equipment are initially recognized at historical cost which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such item when the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on property, plant and equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives of the property, plant and equipment are as follows:

Description	Useful life
Building	20 years
Machinery and equipment	5-15 years
Building and improvements	20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statements of comprehensive income.

Fully depreciated and amortized property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Intangible Assets

Intangible assets are license on software for its manufacturing and accounting process that is stated at cost less accumulated amortization and any accumulated impairment losses. It is amortized over its estimated life of ten years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Other Noncurrent Assets

Other noncurrent assets are carried at cost.

Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that its property, plant and equipment and other nonfinancial assets may be impaired. If any such indication exists or when the annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account if available. If no such transactions can be identified, an appropriate valuation model is used, with the calculations corroborated by other available fair value indicators.

Any impairment loss is recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables and accrued expenses. Accrued expenses include obligation that is expected to be settled within twelve (12) months from the reporting date. Accounts payable and other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while non-trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as noncurrent liabilities.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Capital stock represents the par value of the shares that are issued and outstanding as at the reporting date.

Deficit include all current and prior period results of operations as disclosed in the statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding duties and taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue from sales is recognized when the significant risks and rewards of ownership have passed to the buyer, usually upon delivery to customers and when the amount of revenue can be reliably measured. The Company's export sale (delivery cost is paid by the Company) and domestic sale (deliver cost is paid by the client) of polyethylene is recognized upon confirmation of the bill of lading on freight-on-board.

Interest Income

Interest income is recognized on a time proportionate basis that reflects the effective yield on the asset.

Other Income

Other income is recognized as earned or when the right to receive payment is established.

Cost and Expense Recognition

Cost and expense are recognized in the statements of comprehensive income when decreases in future economic benefit related to a decrease in an asset or an increase in the liability has arisen that can be measured reliably. This direct expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association of income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefit do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenditures in the statements of comprehensive income are presented using the function of expense method. Costs of services are expenses incurred that are associated with services rendered and include salaries and wages, supplies and facilities, courier and delivery charges and retirements benefit expense. Operating expenses are costs attributable to general, administrative, selling and other business activities of the Company.

Related Party Relationships and Transactions

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or a parent of the reporting entity. (b) An entity is related to the Company if, the entity and the Company are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Company, the entity is controlled or joint controlled by a person who has control or joint control over the Company and a person as identified in (a) above has significant influence over the entity is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Employee Benefits

Short-term Benefits

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

Long-term Benefits

The Company has not yet established a formal retirement plan for its employees as it does not meet the minimum number of employees required for the establishment of retirement benefit plan but accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641 (Retirement Law). Under RA 7641, the Company is required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes normal cost and estimated past service cost (see Note 11).

Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holidays). They are included in the salaries and wages account and are recognized when paid at the end of every year to the employee.

Leases

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company is a party to various operating leases as a lessee on its office space and house rental for its employees. Payments received from the lessor under operating leases (net of any incentives given to the lessee) are charged to the statement of comprehensive income. Contingent rents are recognized as revenue in the period in which they are earned.

Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursements.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Date

The Company identifies post year-end events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the financial statements when material.

Comparatives

When necessary, comparative figures have been adjusted to conform to the changes in the presentation of the current year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

a) Determination of Functional Currency

The Company has determined that its functional currency is the Philippine Peso. The determination of the functional currency was based on the primary economic environment in which the Company generates cash.

b) Classification of Financial Instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

c) Determination of Fair Value of Financial Instruments

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the statements of changes in equity.

d) Operating Lease Commitments – Company as a Lessee

The Company entered into an operating lease agreement for its office space and staff houses under non-cancellable operating lease as a lessee. The Company has determined that there is no transfer in relation to the significant risks and rewards of ownership of these properties (see Note 19).

e) Impairment of Non-Financial Assets

Property and equipment and intangible assets are periodically reviewed to determine any indications of impairment. Though the management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

f) Retirement Benefits Obligation

The Company considers the amount recognized as retirement benefits obligation do not differ materially from the amount that would have been determined using the projected credit unit method under PAS 19 “Employee Benefits”.

g) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2, subheadings *Provisions and Contingencies*.

Estimates and Assumptions

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

a) Useful lives of Property, Plant and Equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant 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, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations 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 expenses and decrease non-current assets.

The carrying values of property, plant and equipment as at December 31, 2013, 2012 and 2011 amounted to ₱3,240,175,609, ₱3,596,417,396 and ₱3,950,899,675, respectively. Depreciation expense for 2013 and 2012 amounted to ₱357,800,774 and ₱355,346,338 respectively (see Note 8).

The Company considers that it is impracticable to disclose with significant reliability the possible effects of sensitivities surrounding the useful lives of property, plant and equipment.

b) Realization of Deferred Tax Assets

The Company reviews the carrying amounts of deferred income tax assets and liabilities at each financial reporting date and reduces deferred income tax assets and liabilities to the extent that it is no longer probable that sufficient future taxable income and future deductible expenses will be available to allow all or part of the deferred income tax assets to be utilized.

The Company's deferred tax asset is fully covered with valuation allowance since management believes that the Company will not generate taxable net income to utilize the Company's deferred tax assets (see Note 22).

The Company considers that it is impracticable to disclose with significant reliability the possible effects of sensitivities surrounding the realization of deferred tax assets.

4. CASH

Cash as at December 31 consist of:

	2013	2012	2011
Cash in banks	258,970,541	18,642,271	7,582,327
Cash on hand	909,631	200,000	200,000
	259,880,172	18,842,271	7,782,327

Cash in banks earn interests at the respective bank deposit rates. Foreign currency denominated deposits were translated to Philippine peso at the year's end closing rate.

5. TRADE RECEIVABLES

The account constitutes receivables from customers for the sale of its main products to its domestic and foreign customers which amounted to P636,521,948, P293,278,990 and P217,082,111 as at the end of December 31, 2013, 2012 and 2011, respectively.

The Company did not provide allowance for doubtful accounts for its receivables since the Company is certain of its collectibility.

6. INVENTORIES

The account represents:

	2013	2012	2011
Raw materials	213,116,788	225,390,879	165,170,303
Work-in-progress	66,241,160	171,713,211	22,544,142
Finished goods	54,229,692	370,418,122	82,615,950
Spare parts	204,222,857	204,984,542	207,237,048
Other inventory supplies	68,016,567	63,115,645	70,572,685
	605,827,064	1,035,622,399	548,140,128

Inventories are carried at cost using the weighted average cost method.

Finished goods inventories are valued at the lower of cost or net realizable value (NRV).

Other inventory supplies include safety supplies, laboratory supplies, maintenance supplies and other additives which are classified as manufacturing overhead when consumed.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consist:

	2013	2012	2011
Input tax	607,377,812	554,884,685	474,778,996
Advances to suppliers	142,092,815	106,132,670	73,506,742
Others	54,314,994	49,155,539	40,137,827
	803,785,621	710,172,894	588,423,565
Less: Other assets - input tax	55,844,574	55,844,574	55,844,574
	747,941,047	654,328,320	532,578,991

Input tax represents 12% value-added tax on local purchases of materials and services, net of output VAT on domestic sales during the year.

The Company applied for tax refund in the following dates for the Company's unutilized input VAT attributable to its export sales for the corresponding periods:

Date applied	Covered period	Amount
July 22, 2010 and January 29, 2011	January to December 2008	38.9 million
February 18 and September 18, 2011	January to December 2009	139.2 million
March 22, 2012	January to December 2010	146.3 million
March 15, 2013	January to December 2011	97.6 million

On March 20, 2013, the Company received a refund amounting to P3,478,299 pertaining to a portion of its application for 2008 refund. As at December 31, 2013, other applications for refund are still pending with the Bureau of Internal Revenue.

Advances to suppliers pertain to Company's advance payment to suppliers of raw materials that are not yet received by the Company as at end of year.

Other prepayments and other current assets represent prepaid items on rentals, insurance and deposit payments, including employees' operational advances subject for liquidation.

8. PROPERTY, PLANT AND EQUIPMENT (net)

Reconciliation of property, plant and equipment as at December 31 is as follows:

	Building	Machinery and equipment	Building improvements	Total
Cost:				
At January 1, 2012	75,724,646	5,251,057,471	10,266,252	5,337,048,369
Additions	-	864,059	-	864,059
At December 31, 2012	75,724,646	5,251,921,530	10,266,252	5,337,912,428
Additions	-	1,558,987	-	1,558,987
At December 31, 2013	75,724,646	5,253,480,517	10,266,252	5,339,471,415
Accumulated depreciation:				
At January 1, 2012	23,088,711	1,360,077,810	2,982,173	1,386,148,694
Depreciation	3,786,233	351,054,279	505,826	355,346,338
At December 31, 2012	26,874,944	1,711,132,089	3,487,999	1,741,495,032
Depreciation	3,786,234	353,501,228	513,312	357,800,774
At December 31, 2013	30,661,178	2,064,633,317	4,001,311	2,099,295,806
Carrying values:				
As at December 31, 2013	45,063,468	3,188,847,200	6,264,941	3,240,175,609
As at December 31, 2012	48,849,702	3,540,789,441	6,778,253	3,596,417,396
As at December 31, 2011	52,635,935	3,890,979,661	7,284,079	3,950,899,675

Depreciation charges of property, plant and equipment are distributed to the following cost centers:

	Notes	2013	2012	2011
Cost of sales	14	348,820,743	348,655,454	347,966,411
General and administrative	17	8,980,031	6,690,884	8,311,515
		357,800,774	355,346,338	356,277,926

9. INTANGIBLE ASSETS

Reconciliation of intangible assets as at December 31 is as follows:

	Note	2013	2012	2011
Cost				
At beginning and end of year		495,832,432	495,832,432	495,832,432
Accumulated amortization				
At beginning of year		226,942,195	175,697,708	124,453,222
Amortization for the year	17	47,922,000	51,244,487	51,244,486
At end of year		274,864,195	226,942,195	175,697,708
Net carrying values at end of year		220,968,237	268,890,237	320,134,724

Intangible assets pertain to the licenses on software for its manufacturing and accounting processes (SAP system). This is being amortized for a period of ten (10) years and five (5) years, respectively.

10. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31 consist of:

	2013	2012	2011
Due to foreign suppliers	7,655,670,968	7,284,912,905	6,067,003,783
Due to local suppliers	875,581,971	923,190,141	1,135,439,500
Others	131,167,045	106,019,344	100,954,316
	8,662,419,984	8,314,122,390	7,303,397,599

Trade payables include payables due to foreign and local suppliers which are non-interest bearing and are currently demandable.

Included in the 'Due to foreign suppliers' account is the P7,584.5 million payable to Persian Gulf Petrochemical Industries Company for the supply of ethylene.

Other payables pertain to statutory payables, advances from customers and other accrued expenses. These are noninterest bearing and are payable normally within 30 days.

11. RETIREMENT BENEFITS OBLIGATION

Pending the implementation of a formal retirement plan, the Company provides for estimated retirement benefits required to be paid under R.A. 7641 to qualified employees. The retirement obligation of the Company as at December 31, 2013, 2012 and 2011 amounted to P4,139,609, P3,586,853 and P3,034,097, respectively. The corresponding annual retirement benefits expense amounted to P552,756 for the years ended December 31, 2013 and 2012, respectively. This is presented in the financial statements as part of the employee benefits (see Note 17). Adjustments to prior years will be taken up when the final retirement plan has been approved and computed by an actuary.

12. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

As discussed in Notes 1 and 13, this account pertains to the subscription of the stockholders of the Company of P791.0 million (7,910,000 shares) in 2007 and 2006 which is the subject matter of a pending arbitration case in London, England concerning the refusal of the minority interest to honor its obligation under the Share Purchase Agreement including its refusal to infuse additional capital to the Company.

Moreover, the account is also an off-shoot of the case, wherein, the minority interest's intention to contradict the deposit on subscription and wrest corporate control and management were Denied.

On October 15, 2013, the case was dismissed by virtue of a Manifestation and Joint Motion to Dismiss informing the Honorable Court of amicable settlement and dismissal of the case in the lower court thereby rendering the pending arbitration in London moot and academic. The Manifestation and Joint Motion to Dismiss was approved and confirmed by the court through an Order dated November 29, 2013 and through a Notice of Resolution dated February 10, 2014, the Supreme Court duly noted the Joint Manifestation of the parties.

13. CAPITAL STOCK

On November 3, 2005, the Securities and Exchange Commission (SEC) approved the increase in authorized capital stock of the Company from ₱12,500,000, divided into 125,000 common shares with par value of ₱100, to ₱5,000,000,000, divided into 50,000,000 common shares with par value of ₱100. The increase in capital was paid by way of asset for share swap valued at ₱4,760,000,000 or 47,600,000 common shares.

On October 16, 2006, the Board of Directors (BOD) of the Company approved the increase in the authorized capital stock of the Company from ₱5,000,000,000 to ₱5,800,000,000, divided into 58,000,000 shares with par value of ₱100 per share. Accordingly, pending the SEC's approval on the application of the Company for the amendment of its Articles of Incorporation, the subscription of the stockholders of the Company of 5,000,000 shares equivalent to ₱505.94 million is booked under Deposit for Future Stock Subscription.

On March 7, 2007, the Board of Directors (BOD) of the Company approved the issuance of capital stock of the Company amounting to ₱485 million divided into 4,850,000 shares (USD10.00 million computed at the exchange rate a: ₱48.50 to USD1.00) with par value of ₱100 per share. Accordingly, pending the Company's filing with SEC for the increase of authorized capital stock from ₱5,000,000,000 to ₱5,800,000,000 divided into 58,000,000 with a par value of ₱100 per share due to insufficiency of documents as required by SEC, the subscription of the stockholders of the Company of 2,910,000 shares and 5,000,000 shares equivalent to ₱791.00 million (₱285.06 million and ₱505.94 million in 2007 and 2006, respectively) were booked under Deposit for future stock subscription (see Note 12).

14. COST OF SALES

Cost of sales for the years ended December 31 consist of:

	Notes	2013	2012
Raw materials used – net		1,960,391,689	2,689,341,729
Add: Direct labor	18	13,155,029	14,852,879
Total Prime costs		1,973,546,718	2,704,194,608
Add: Manufacturing overhead *		771,973,654	931,517,946
Total Manufacturing costs		2,745,520,372	3,635,712,554
Add: Work-in-process, beginning	6	171,713,211	22,544,142
Total Work placed in process		2,917,233,583	3,658,256,696
Less: Work-in-process, end	6	66,241,160	171,713,211
Total Cost of goods manufactured		2,850,992,423	3,486,543,485
Add: Finished goods, beginning	6	370,418,122	82,615,950
Total Goods available for sale		3,221,410,545	3,569,159,435
Less: Finished goods, end	6	54,229,692	370,418,122
		3,167,180,853	3,198,741,313

Included in the direct cost of 2012 are pre-operating expenses of the newly acquired Nitrogen Plant of the Company. The acquisition of the said plant is part of the effort of the Management to reduce cost/losses in future operations.

*Manufacturing overhead is broken down as follows:

	Note	2013	2012
Manufacturing supplies		359,381,356	495,145,014
Depreciation	8	348,820,743	348,655,454
Salaries and wages	18	27,192,689	30,304,848
Utilities and rental equipment		16,542,400	23,236,927
Repairs and maintenance		12,291,326	12,665,461
Miscellaneous		7,745,140	21,510,242
		771,973,654	931,517,946

The raw material requirements (ethylene) supplied by its foreign counterpart (Iranian Principal) is pegged at a price based on the (Southeast Asia) market index prevailing at the time of importation.

Although the supplier grants a 5% discount on the ethylene index price, the unpredictable market supply availability condition which generally leads to intermittent or non-continuous supply of ethylene limits the production to less than 18% of its output capacity. As such, the resultant effect greatly impacts on the cost of production to about \$300 to \$400 per metric ton over and above the prevailing international market rate, based on the Independent Chemical Information Service (ICIS) standards pricing.

The Company's transfer pricing policy resulted to gross loss amounting to P387.2 million and P455.4 million for the years ended December 31, 2013 and 2012, respectively, as presented in the statements of comprehensive income.

15. OTHER INCOME (EXPENSES)

Other income (expenses) for the years ended December 31 consist of:

	2013	2012
Foreign exchange gain (loss)	83,832,035	(10,525,315)
Interest expense and bank charges	(295,908)	3,414,041
Interest income	128,923	60,186
	83,665,050	(13,879,170)

16. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the years ended December 31 consist of:

	2013	2012
Freight and handling	23,597,924	39,028,070
Marketing and selling	-	253,861
	23,597,924	39,281,931

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31 consist of:

	Notes	2013	2012
Taxes and licenses		48,772,563	61,705,934
Amortization of intangible asset		47,922,000	51,244,487
Salaries, wages and employee benefits	18	29,406,701	20,426,859
Depreciation	8	8,980,031	6,690,884
Outsourced services		7,049,061	2,995,695
Security services		4,721,871	5,076,603
Travel and transportation		4,420,460	6,176,774
Professional fees		3,992,257	4,300,930
Rent expense	19	3,663,524	8,308,573
Insurance		2,998,171	3,246,463
Utilities and communication		712,111	3,252,579
Retirement benefits	11	552,756	552,756
Miscellaneous		14,549,636	37,981,188
		177,741,142	211,959,725

Included in the general and administrative expenses in 2012 relates to the pre-operating expenses of the newly acquired Nitrogen Plant of the Company. The acquisition of the said plant is part of the effort of the Management to reduce the incurrence of losses in future operations.

18. PERSONNEL COSTS

The account represents staffing and manpower cost charged to the following cost centers:

	<i>Notes</i>	2013	2012
Cost of sales	14	40,347,718	45,157,727
General and administrative	17	29,406,701	20,426,859
		69,754,419	65,584,586

Of the total personnel costs, P7.8 million and P6.4 million for the years ended December 31, 2013 and 2012, respectively, pertains to compensation of key management personnel.

19. LEASE CONTRACT

On April 25, 2006, the Company entered into a Locator Agreement with PNOC Petrochemical Development Corporation (PPDC) to participate and establish a petrochemical plant within the Park under the rules set forth in the Declaration of Covenants, Conditions and Restrictions for the Petrochem Park.

The contract includes the following:

- the Company agrees to pay PPDC on a quarterly basis its proportionate share in the actual cost of maintaining and operating the common areas and facilities including management fees computed at 17.5% of the Company's share in the actual cost and expenses;
- the Company shall be responsible for obtaining from third party all power, water and other utilities;
- the Company shall be charged a throughput fee as payment for the utilization of the feedstock jetty;
- the Company shall pay all taxes, duties, tariffs, imposts, fees, charges and assessment on the parcel of land from the date that legal possession and title has been transferred to the Company;
- the Company shall pay all taxes, duties, tariffs, imposts fees, charges and assessment on the operations; and
- the Company agrees to pay PPDC the corresponding administrative dues and management fees.

The agreement shall be valid and binding until revoked or amended by the parties.

On December 5, 2011, the Company entered into a non-cancellable contract of lease for an office site for a period of three years which commenced on February 1, 2012 and shall expire on January 31, 2015. This lease may be renewed upon mutual agreement of both parties. The future minimum lease rentals payable under these non-cancellable operating leases as of December 31 are as follows:

	2013	2012
Within one year	2,351,336	2,351,336
More than one year but not more than three years	2,674,704	5,026,040
	5,026,040	7,377,376

The Company entered into a non-cancellable contract of lease for three (3) residential units located at Mariveles, Bataan for a period of one year which commenced on February 1, 2012 which was renewed during the year. This lease may be renewed upon mutual agreement of both parties.

The future minimum lease rentals payable under these non-cancellable operating leases as at December 31 are as follows:

	2013	2012
Within one year	150,000	1,680,000
More than one year but not more than three years	-	-
	150,000	1,680,000

The Company's office and housing rental expense charged to general and administrative expenses for the years ended December 31, 2013 and 2012 amounted to ₱3,663,524 and ₱3,778,702, respectively.

20. RELATED PARTY TRANSACTIONS

The following table summarizes the transactions entered into by the Company which are priced on arms-length basis:

	Due to a related party			Terms	Condition
	2013	2012	2011		
<i>Stockholder -</i>					
NPC					
International Limited				Non-interest bearing	
Advances	₱660,652,849	₱660,652,849	₱660,652,849		Unsecured

Due to stockholders is a non-interest bearing advances that are due and demandable within one year from the statement of financial position date. The advance pertains to the settlement of power connection, acquisitions of equipment and other expenses in the Company's plant paid for by NPC International Limited on January 2007.

For the years ended December 31, 2013 and 2012, the Company did not have any transaction with its related party.

21. CORRECTION OF PRIOR PERIOD ERRORS

The prior year financial statements have been restated to take up unrecorded setup of consumption of unfinished products for work-in-process inventories and foreign exchange gain in 2012 and 2011.

The above error was corrected during the year in accordance with Philippine Accounting Standards 8 "Accounting Policies, Change in Accounting Estimates and Errors".

The re-measurement of statement of financial position items at the opening statement of financial position as at December 31, 2011 are summarized below:

	As previously reported	Effect of correction	As restated
Inventories	1,129,093,962	(580,953,834)	548,140,128
Trade and other payables	7,424,282,692	(120,885,093)	7,303,397,599
Deficit	(7,438,053,274)	(460,068,741)	(7,898,122,015)

Reconciliation of the Company's statement of financial position and statement of comprehensive income as previously reported and the restated balances for the year ended December 31, 2012 follows:

	As previously reported	Effect of correction	As restated
Cost of sales	3,081,483,791	117,257,522	3,198,741,313
Foreign exchange gain (loss)	9,653,628	(20,178,943)	(10,525,315)
Inventories	1,733,833,755	(698,211,356)	1,035,622,399
Trade and other payables	8,414,828,539	(100,706,149)	8,314,122,390
Deficit	(8,021,132,698)	(597,505,207)	(8,618,637,905)

22. PENDING LAWSUITS

Telcraft SA Case (CA – GR SP. No. 116708)

On March 12, 2012, the RTC Branch 4 of Balanga City has issued, through Special Proceedings No. 253-ML (consolidated with Special Proceedings No. M-6947), a Decision granting favorably the Company's Petition to sustain a denial/refusal of recognition or enforcement or setting aside of the arbitral award and, at the same time, denying respondents Petition for recognition and enforcement of foreign arbitral award.

However, Telcraft filed a Petition for Certiorari under Rule 65 of the Rules of Court with the Court of Appeals assailing the 29 July 2010 Order issued by the trial court ordering, among others, the severance from the main case of the Company's claim for damages. The case is still pending with the appellate court.

Considering that the case is still pending before the Court of Appeals (Fifth Division) of Manila, no material or negative impact can be established or foreseen that could affect the Company's financial standing.

Bureau of Customs Case (CTA Case No. 7742)

(Tax Case – Commissioner of Customs vs. NPC Alliance)

The Bureau of Customs (BOC) appealed the Court of Tax Appeals (CTA), Third Division's promulgation of decision dated August 6, 2010, for a Petition for Review under Rule 45 (of the Rules of Court).

Last year, the CTA – Third Division has already resolved this case in favour of NPCA for tax exemption, but as a matter of remedial rights, the BOC filed a petition for review.

On May 22, 2013, the Company submitted a new surety bond (G (16) 0007435) from Investors Assurance Corporation Dated May 15, 2013 in the amount of P250,000,000. The case is still pending with the appellate court.

The Company (NPCA), however, do not foresee any forthcoming issue or obligation that may arise out of this appeal which could impact on its financial condition.

23. INCOME TAXES

The Company was registered with the BOI on January 9, 2006 as a new producer of Polyethylene Resins under the 1987 Omnibus Investment Code with a capacity of 275,000 metric tons per year.

Under this registration, the Company is entitled to and availed of certain incentives, the more significant of which are:

- a. income tax holiday for six (6) years from July 2006 until July 2012;
- b. tax and duty free on domestic capital equipment;
- c. tax and duty free importation of capital equipment;
- d. tax credit for taxes and duties paid on imported raw materials used for its export products;
- e. exemption from contractor's tax, wharfage due and any export tax, duty, import and fees;
- f. exemption from taxes and duties on imported spare parts and supplies;
- g. employment of foreign nationals;
- h. unrestricted use of consigned equipment;
- i. deduction for labor expenses, and
- j. incentives on necessary infrastructures.

On July 24, 2012, the BOI approved the application of the Company for an extension of one (1) year of the Company's income tax holiday (ITH) incentive. The approve bonus year under the Company's Certificate of Registration No. DP94-572 is for the period July 1, 2012 to June 30, 2013.

The Company did not apply for renewal or extension of its ITH, hence the Company is subject to regular income tax for the period July 1 to December 31, 2013.

Computation for income tax due for the year ended December 31, 2013 is as follows:

	Exempt	RCIT	Total
REGULAR CORPORATE INCOME TAX (RCIT)			
Loss before income tax	(184,907,420)	(320,008,467)	(504,915,886)
Less: Non-taxable income			
Interest income subjected to final tax	(64,462)	(64,462)	(128,923)
Add: Retirement expense	276,378	276,378	552,756
Taxable loss	(184,695,503)	(319,796,550)	(504,492,053)
Tax rate	0%	30%	-
TAX DUE	-	(95,938,965)	-

The Company's minimum corporate income tax for the year ended December 31, 2013 amounted to nil since its operations for the year resulted to a gross loss.

Further, the Company did not recognize deferred tax asset amounting to ₱95.9 million on its net operating loss carry over as management believes that the Company will not have sufficient taxable income to which the benefit on NOLCO will be applied.

24. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. The Company's aim is to achieve an appropriate balance between risks and returns and minimize potential adverse effects on the Company's financial performance. The Company's risk management policies focus on actively securing the Company's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company's principal financial instruments consist of cash (excluding cash on hand), trade receivables, trade and other payables and due to a related party. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and foreign currency risk. The Board of Directors reviews and approves policies for managing these risks as summarized below:

Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfil their obligations, as and when they fall due. The Company's credit risk is primarily attributable to its cash (excluding cash on hand) and trade receivables.

The carrying amount of financial assets recorded in the financial statements which represent the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is as follows:

	2013	2012	2011
Cash (excluding cash on hand)	258,970,541	18,642,271	7,582,327
Trade receivables	636,521,948	293,278,990	217,082,111
	895,492,489	311,921,261	224,664,438

As at December 31, 2013, 2012 and 2011, all of the Company's financial assets were classified as neither past due nor impaired and are considered high grade. The credit quality of these financial assets are considered high grade because of the following factors considered by the Company:

Cash

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. The Company has not experienced any difficulty transacting through these banks.

Trade Receivables

Trade receivables are categorized based on the Company's collection experience and relationship with the counterparties. Receivables from customers consistently pay on or before the maturity date and hence, considered high grade.

The table below summarizes the aging analysis of the Company's trade receivables.

	2013	2012	2011
Current account	362,818,656	152,341,559	105,540,689
Past due but not impaired:			
Less than 30 days	195,048,000	81,897,433	56,737,711
30 to 90 days	32,508,000	13,649,572	9,456,285
More than 91 days	46,147,292	45,390,426	45,347,426
	636,521,948	293,278,990	217,082,111

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Company maintains a balance between continuity of funding and flexibility of cash flows.

As part of its overall liquidity management, the Company maintains sufficient levels of cash to meet working capital requirements. The Company avails of funds from related parties and from stockholders when needed.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2013 and 2012:

December 31, 2013

	On demand	Three to twelve months	Total
Due to foreign suppliers	7,655,670,968	-	7,655,670,968
Due to local suppliers	875,581,971	-	875,581,971
Other payables*	-	130,351,575	130,351,575
Due to a related party	660,652,849	-	660,652,849
	9,191,905,788	130,351,575	9,322,257,363

December 31, 2012

	On demand	Three to twelve months	Total
Due to foreign suppliers	7,284,912,905	-	7,284,912,905
Due to local suppliers	923,190,141	-	923,190,141
Other payables*	-	105,572,662	105,572,662
Due to a related party	660,652,849	-	660,652,849
	8,868,755,895	105,572,662	8,974,328,557

*Excluding statutory payables.

December 31, 2011

	On demand	Three to twelve months	Total
Due to foreign suppliers	6,066,487,001	-	6,066,487,001
Due to local suppliers	1,135,439,500	-	1,135,439,500
Other payables*	-	100,954,316	100,954,316
Due to a related party	660,652,849	-	660,652,849
	7,862,579,350	100,954,316	7,963,533,666

The above maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

The following table shows the current ratio of the Company as at December 31:

	2013	2012	2011
Current ratio	24%	30%	16%

Current ratio is a liquidity ratio that measures the Company's ability to pay short-term obligations. The table above shows that for every peso of currently maturing liabilities, the Company has inadequate fund to settle its obligations. This liquidity risk is managed by availing funds from related parties when needed.

Foreign currency risk

The Company has transactional currency exposures arising from cash in banks, receivables and trade and other payables in United States (US) dollars generated from normal operations of the Company. To address the risk associated with the volatility of the foreign exchange rate, the Company actively monitors its currency exposures.

The following are the foreign currency denominated financial assets and financial liabilities of the Company:

December 31, 2013:

	Euro	US dollar	Philippine peso equivalent
Financial assets:			
Cash in banks	€505	\$1,708	106,548
Receivables	-	13,572,754	591,131,521
	€505	\$13,574,462	591,238,069
Financial liabilities -			
Trade and other payables	-	189,431,162	7,655,670,968
Net financial liabilities	€505	(\$145,443,280)	(7,064,432,899)

December 31, 2012:

	Euro	US dollar	Philippine peso equivalent
Financial assets:			
Cash in banks	€6,498	\$13,726	901,178
Receivables	-	6,017,881	247,888,564
	€6,498	\$6,031,607	248,789,742
Financial liabilities -			
Trade and other payables	-	176,818,274	7,284,912,905
Net financial liabilities	€6,498	(\$170,786,667)	(7,036,123,163)

December 31, 2011:

	Euro	US dollar	Philippine peso equivalent
Financial assets:			
Cash in banks	€1,719	\$1,718	173,180
Receivables	-	3,908,479	247,888,564
	€6,498	\$6,031,607	248,789,742
Financial liabilities -			
Trade and other payables	-	138,112,452	6,067,003,783
Net financial liabilities	€6,498	(\$132,080,845)	(5,818,214,041)

The following table demonstrates the sensitivity to a reasonably possible change of Philippine peso to US dollar and Euro exchange rates, with all other variables held constant, of the Company's income before tax due to change in the fair value of its foreign currency denominated financial assets and liabilities:

December 31, 2013:

	Change in foreign exchange rate	Effect on income before income tax
US Dollar / Euro	+5%	₱353,221,645
	-5%	(353,221,645)

December 31, 2012:

	Change in foreign exchange rate	Effect on income before income tax
US Dollar / Euro	+5%	₱351,806,308
	-5%	(351,806,308)

There is no other effect on equity aside from those affecting the statement of comprehensive income.

Capital Management

The primary objective of the Company's capital management is to safeguard the Company's 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.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may require additional capital from shareholders or issue new shares.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of carrying amounts and fair values of financial instruments that are carried in the financial statements. The table does not include the fair values of nonfinancial assets and nonfinancial liabilities.

	2013		2012		2011	
	Carrying Values	Fair Values	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets						
Loans and receivables						
Cash*	258,970,541	258,970,541	18,642,271	18,642,271	7,582,327	7,582,327
Trade receivables	636,521,948	636,521,948	293,278,990	293,278,990	217,082,111	217,082,111
	895,492,489	895,492,489	311,921,261	311,921,261	224,664,438	224,664,438
Financial Liabilities						
Trade and other payables**	8,661,604,515	8,661,604,515	8,313,675,707	8,313,675,707	7,303,397,599	7,303,397,599
Due to related party	660,652,849	660,652,849	660,652,849	660,652,849	660,652,849	660,652,849
	9,322,257,364	9,322,257,364	8,974,328,556	8,974,328,556	7,964,050,448	7,964,050,448

*excluding cash on hand

**excluding statutory payables

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

Cash, Trade receivables, Trade and other payables

Due to the short-term nature of transactions, the fair value of the financial assets and liabilities approximates the carrying amounts as of the statement of financial position date.

Due to related party

Due to related party is payable on demand and have no fixed repayment dates. As such, their carrying amounts approximate their fair values.

Fair value hierarchy

The fair value measurements of the Company's financial assets and financial liabilities have been made under Level 2 of the fair value hierarchy, i.e., based on observable inputs for the financial assets and financial liabilities.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at and for the year ended December 31, 2013 (including its comparatives, 2012 and 2011) were approved and authorized for issuance by the Board of Directors (BOD) on June 3, 2014.

SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATIONS (RR) 15-2010 AND RR 19-2011

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Supplementary information required by Revenue Regulations 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which requires certain information on taxes, duties, license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosures mandated under PFRS, is presented as follows:

a. *Output Value-Added Tax (VAT)*

Net receipts and output VAT declared in the Company's VAT returns in 2013 and 2012 is as follows:

2013	Net receipts	Output VAT
VAT-able sales	-	-
Zero rated sales	2,779,938,983	-
	2,779,938,983	-
2012	Net receipts	Output VAT
VAT-able sales	5,826,507	699,181
Zero rated sales	2,737,519,743	-
	2,743,346,250	699,181

b. *Input VAT*

	2013	2012
Beginning balance	554,884,685	474,778,996
Current year's domestic purchases/payments or importations for:		
Goods other than for resale	11,609,927	24,246,634
Services lodged under other accounts	40,883,200	56,558,236
	607,377,812	555,583,866
Less: Output VAT	-	699,181
NET INPUT VAT	607,377,812	554,884,685

c. *Taxes on importation*

The Company paid customs duties and taxes amounting to 135,135 for the year ended December 31, 2013.

d. *Excise tax (Not Applicable)*

e. *Documentary stamp tax*

None.

f. Withholding taxes

	2013	2012
Withholding taxes on compensation	4,200,126	4,677,777
Expanded withholding taxes	5,560,328	6,316,214

As at December 31, 2013, unpaid withholding taxes on compensation and benefits and expanded withholding taxes amounted to ₱281,395 and ₱534,074, respectively.

g. Taxes and licenses

The components of "Taxes and licenses" presented under the "General and administrative expenses" account in the statements of comprehensive income are as follows:

	2013	2012
Property taxes	43,413,734	56,091,362
Permits and registrations	4,362,376	4,240,188
Other taxes and licenses	996,453	1,374,384
	48,772,563	61,705,934

SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION 19-2011

Revenue Regulation No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011 and to modify Revenue Memorandum Circular No. 57-2011 dated November 25, 2011.

The Company is registered with the Bureau of Investment (BOI) as a producer of Polyethylene Resins pursuant to the Omnibus Investment Code, entitled the Company to enjoy and avail of certain tax holidays incentives and benefits from 2006 to 2012. On July 24, 2012, the Board of Investments approved the application of the Company for the extension for one (1) year of the Company's income tax holiday (ITH) incentive. The approve bonus year under the Company's Certificate of Registration No. DP94-572 is for the period July 1, 2012 to June 30, 2013.

The following are the schedules prescribed under existing revenues issuances applicable to the Company as of December 31, 2013.

a. Sales

	Exempt (January 1 to June 30, 2013)	RCIT (July 1 to December 31, 2013)	Total
Sale of goods	903,515,239	1,876,423,749	2,779,938,988

b. Cost of goods sold

	Exempt (January 1 to June 30, 2013)	RCIT (July 1 to December 31, 2013)	For the year ended December 31, 2013
Raw materials used – net	637,152,029	1,323,239,660	1,960,391,689
Add: Direct labor	4,275,550	8,879,479	13,155,029
Total Prime costs	641,427,579	1,332,119,139	1,973,546,718
Add: Manufacturing overhead	250,901,176	521,072,479	771,973,655
Total Manufacturing costs	892,328,755	1,853,191,618	2,745,520,373
Add: Work-in-process, beginning	171,713,211	76,528,703	171,713,211
Total Work placed in process	1,064,041,966	1,929,720,320	2,917,233,583
Less: Work-in-process, end	(76,528,703)	(66,241,160)	(66,241,160)
Total Cost of goods manufactured	987,513,263	1,863,479,160	2,850,992,423
Add: Finished goods, beginning	370,418,122	328,557,655	370,418,122
Total Goods available for sale	1,357,931,385	2,192,036,815	3,221,410,545
Less: Finished goods, end	(328,557,655)	(54,229,692)	(54,229,692)
	1,029,373,730	2,137,807,123	3,167,180,853

c. Non-operating and taxable other income

The Company's non-operating and taxable other income for the year is as follows:

	Exempt	RCIT	Total
Interest income	128,923	-	128,923
Foreign exchange gain	41,916,017	41,916,018	83,832,035
	42,044,940	41,916,017	83,960,958

d. *Itemized deductions*

Details of the Company's itemized deductions for the year are as follows:

	Exempt (January 1 to June 30, 2013)	RCIT (July 1 to December 31, 2013)	Total
General and administrative expenses			
Taxes and licenses	24,386,281	24,386,282	48,772,563
Amortization of intangible asset	23,961,000	23,961,000	47,922,000
Salaries, wages and employee benefits	14,703,350	14,703,351	29,406,701
Depreciation	4,490,016	4,490,015	8,980,031
Outsourced services	3,524,531	3,524,530	7,049,061
Security services	2,360,935	2,360,936	4,721,871
Travel and transportation	2,210,230	2,210,230	4,420,460
Professional	1,996,128	1,996,129	3,992,257
Rent expense	1,831,762	1,831,762	3,663,524
Insurance	1,499,085	1,499,086	2,998,171
Utilities and communication	356,056	356,055	712,111
Retirement benefit expense	552,756	-	552,756
Others	7,274,818	7,274,818	14,549,636
	89,146,948	88,594,194	177,741,142
Selling and distribution expenses			
Freight and handling	11,798,962	11,798,962	23,597,924
Interest and bank charges	147,954	147,954	295,908
	101,093,864	100,541,110	201,634,974

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