COVER SHEET

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STENIEL MANUFACTURING CORPORATION

(Company's Full Name)

GATEWAY BUSINESS PARK - BRGY. JAVALERA GEN. TRIAS CAVITE

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

MIA M. ORMITA
Contact Person

687 1195
Company Telephone Number

12 31
Month *Day*
Fiscal Year

SEC Form 17-A
FORM TYPE

Last Tuesday of April
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended : **31 December 2016**

2. SEC Identification Number : **23736**

3. BIR Tax Identification No. : **000-099-128**

4. Exact name of issuer as specified in its charter : **Steniel Manufacturing Corporation**

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

6. [ ] (SEC Use Only)
Industry Classification Code:

7. Address of principal office
Gateway Business Park, Brgy. Javalera, General Trias, Cavite

8. Issuer's telephone number, including area code
(046) 433-0066

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

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

10. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [✓] No [ ]

11. The Company's 876,182,045 common shares are listed at the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

The aggregate market value of voting stocks held by non-affiliates is Php40,386,613.28 computed on the basis of the average share price as of the 3rd quarter of 2006[1] of Php0.26 per common share.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business.

Steniel Manufacturing Corporate (the "Company") was incorporated in 1963. On September 11, 2013, the Securities and Exchange Commission ("**SEC**") approved the extension of the corporate term of the Company for another 50 years.

The Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as the "**Steniel Group**"):

Name of Subsidiary	Date of Registration	SEC Registration No.
STENIEL CAVITE PACKAGING CORPORATION	Oct. 21, 1993	AS093-8725
TREASURE PACKAGING CORPORATION	May. 23, 1994	AS094-004629

Prior to 2006, Steniel (Netherlands) Holdings B.V. ("**Steniel Netherlands**"), a company incorporated in Amsterdam, The Netherlands, owned 82.2716% of the shares of the Company. Steniel Netherlands was then 100%-owned by Steniel (Belgium) Holdings NV ("**Steniel Belgium**"). In 2006, Steniel Belgium sold its shares in Steniel Netherlands to certain directors and officers of the Company. With the sale of shares, the ultimate parent of the Company became Steniel Netherlands.

Pursuant to the restructuring of the Company's loans in 2010 as discussed in Section 1.H of this report, the Company's remaining unissued shares of 123,817,915 shares were issued to Roxburgh Investment Limited ("**Roxburgh**") to reduce the Company's outstanding debts. As a result, Roxburgh now owns 12.3818% ofthe Company.

On January 18, 2012, the shareholders of Steniel Netherlands entered into a Share Purchase Agreement with Right Total Investments Limited ("**Right Total**"), a limited liability company incorporated in British Virgin Islands as an investment company. Under the agreement, Right Total shall purchase up to 100% of the issued and outstanding shares of Steniel Netherlands. Following the closing of the sale on March 29, 2012, Right Total became the owner (through Steniel Netherlands) of 72.0849% shares of the Company.

On January 25, 2012, the Company received a tender offer report from Right Total on its offer to purchase 27.92% shares of the minority investing public. A total of 2,115,692 common shares were tendered and accepted by Right Total.

On March 2, 2012, the SEC issued a Certificate of Merger to Steniel Cavite Packaging Corporation ("**SCPC**"), Metroplas Packaging Products Corporation, Metro Paper and Packaging Products, Inc. and Steniel Cartons Systems Corporation, with SCPC as the surviving corporation.

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[1] There were no transactions in the 4th quarter of 2006. Effective July 6, 2006, the Philippine Stock Exchange implemented a temporary trading suspension on the Company's shares.

On December 27, 2013, the Company sold its entire ownership, consisting of 9.25 million common shares, of Steniel Mindanao Packaging Corporation ("**SMPC**"). The transfer will be registered in the stock and transfer books of SMPC upon issuance of the relevant Certificates Authorizing Registration by the Bureau of Internal Revenue.

In 2016, the Board of Directors and stockholders of each of SCPC and Treasure Packaging Corporation (**"TPC"**) was the merger of SCPC and TPC, with SCPC as surviving company. As at March 31, 2017, the constituent companies are completing the necessary documents for filing with the SEC.

On January 10, 2017, the SEC approved the reduction in the authorized capital stock of SCPC from ₱300,000,000.00 to ₱30,000,000.00. The reduction in the authorized capital stock is preparatory to the filing with the SEC of an application for quasi-reorganization to wipe out the deficit of SCPC.

(B) Nature of Business

The Company has 2 operating subsidiaries nationwide that produce their own corrugated boards for conversion to finished boxes. These facilities are located in Cavite and Cebu and each is fully equipped with corrugator and converting machines. The finished products are mainly used for packaging consumer goods, fresh fruits, canned sardines, furniture and electronic goods. Marketing activities are coordinated centrally for most of the Company's high volume customers. Each of the operating subsidiaries is individually responsible for sales and marketing activities directed at their regional customers.

The business operations of SCPC gradually slowed down in 2006. SCPC's Board of Directors approved the temporary cessation of the plant's operation on March 27, 2007 in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. The machines and equipment of SCPC were disposed via *dacion en pago* in 2010 to reduce long-term borrowing as part of the loan restructuring agreement. The *dacion en pago* of its building was completed in 2014.

In September 2008, TPC temporarily ceased its operations and separated all its employees. The Board formally approved the cessation of TPC's operation on March 10, 2009. The property and equipment of TPC were disposed of to partially settle its trade and other liabilities.

On December 27, 2013, the Company sold its 100% ownership in SMPC.

TPC is in a dormant status as at December 31, 2016 and 2015.

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of ₱1,587.5 million and ₱1,610.5 million as at December 31, 2016 and 2015, respectively, and a capital deficiency of ₱172.08 million and ₱199.32 million as at December 31, 2016 and 2015, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence.

As at December 31, 2016, the only reporting subsidiary of the Company is SCPC. SCPC is the sole operating company of the Group and is primarily engaged in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers, and lease of properties. The other components of the Group, the Company and TPC, have ceased operations in 2006 and 2008, respectively. Operations of SCPC was limited only to leasing of properties in 2016.

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

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

(D) Total Number of Employees

The Steniel Group has a total of two (2) employees as at December 31, 2016.

(E) Patents, Trademarks Copyrights and Licenses

Not applicable.

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

Not applicable.

(G) Cost and Compliance with Environmental laws

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

(H) Bankruptcy, Receivership or Similar Proceedings

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

In November 2007, the Company including certain subsidiaries and an associate separately filed individual Petitions for Rehabilitation with the respective Regional Trial Courts to ensure recovery and address liquidity.

On July 7, 2008, the Regional Trial Court ("**RTC**") in Cavite issued an Order dismissing the Petition and lifting the Stay Order based on the comments filed by the creditors as to the deficiencies in the Rehabilitation Plan filed by the Company. Consequently, on August 19, 2008, the Company appealed the RTC Order to Court of Appeals but such appeal was denied. The Company filed a petition for review with the Supreme Court, which denied the petition on June 17, 2009, and subsequently, the motion for reconsideration on October 14, 2009.

In 2009, discussions commenced with the major creditors/lenders to restructure the outstanding loans. On October 15, 2010, the Company and the creditors/lenders signed an Amended and Restated Omnibus Agreement (the "**Amended Agreement**"). The essential elements of the Amended Agreement are summarized below:

- Restructuring of outstanding principal and accrued interest expense as of September 30, for twenty five (25) years.

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

The *dacion en pago* of the Steniel Group's idle machines and the equity conversion through the issuance of the Company's capital stocks have been completed as at December 31, 2010 and which resulted to a gain on disposal of property and equipment amounted to Php30.3 million. The *dacion en pago* transaction reduced outstanding principal amount by Php122 million while the equity conversion reduced outstanding accrued interest by Php248 million. The *dacion en pago* of the SCPC building, with a value of ₱99.1 million, was completed in 2014. With regard to the *dacion of the shares* in SLC, in 2012, the Certificates Authorizing Registration were issued in relation to the transfer to Greenkraft of 1,749,500 common shares and 11,820 preferred shares in SLC. The Certificate Authorizing Registration covering the transfer of 727,050 preferred shares in SLC held by SCPC is currently being processed.

The change in management in early 2012 generally caused the delay in the implementation of the *dacion en pago*. The installment payment of outstanding principal based on the Amended Agreement above is also expected to be adjusted.

On December 2, 2011, the major creditors/lenders agreed to waive the payment of interest for the first 2 years of the loan commencing off the restructuring date, to correspond to the principal repayment as stated in

the Amended Agreement. Hence, interest payments on each interest payment date shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a 2-year grace period. In relation to this, on March 1, 2012, the accrued interest, which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In December 2014, lenders under the Amended Agreement agreed to the following repayment:

(a) two (2)-year grace period on the payment of interest or until December 31, 2014;
(b) quarterly payments of the principal amortization to commence on March 31, 2015 for a period of twenty five (25) years; and
(c) reduction of interest rates from 6% to 2% per annum on the first two (2) years, 3% per annum on the third and fourth years and 4% per annum from the fifth year until full repayment of the loan.

There are no known trends, events or uncertainties that will have a material impact on the Steniel Group's future operations except those that have already been disclosed in the foregoing. There are no other sources of revenue or income that are not ordinary in nature.

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

On March 2, 2012, the SEC approved the merger of four (4) subsidiaries of the Company, with SCPC as surviving company (the "**4-way Merger**").

Also, as discussed in Note 8 - Non-current assets held for sale in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell if their carrying amount is recovered primarily through as sale transaction rather than continuing use as at December 31, 2016.

(J) Cost of Research and Development Activities

Not applicable.

(K) Major Risks and Management of the Risks

The Company and the creditors/lenders signed the Amended Agreement on October 15, 2010 which restructured the Company's loans and resolved the default situation. The essential provisions of the Amended Agreement are discussed in detail in Item 1(H) above and in Note 1 – General information/Status of operations, in the Notes to Consolidated Financial Statements.

Please refer also to Note 20 - Financial risk management, of the Notes to Consolidated Financial Statements for additional discussions.

Item 2. Properties

Please refer to Note 8 – Non-current assets held for sale, Note 9 – Property and equipment, and Note 10 – Available-for-Sale Financial Assets of the Notes to Consolidated Financial Statements for the table of properties.

The Steniel Group's building and building improvements, leasehold improvements and machinery and equipment are mortgaged to secure the payment of long-term debts under mortgage trust indentures. Consequent to the loan restructuring (please refer to Item 1(H) in the preceding), the *dacion en pago* of the Steniel Group's idle machines and building had been completed as at December 31, 2010 and September 30, 2014 respectively, thereby reducing outstanding principal amount by Php222 million. Furthermore, the dacion en pago relating to the Group's shares in SLC has a total value of Php190.0 million. In 2012, certain certificates authorizing registration were issued. The remaining assignment of shares is still for finalization with buyers and this is expected to be completed in the 2017.

In 2015, the group acquired certain machinery and equipment for the purpose of rental to a related party.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Price

The company's common shares are listed on the Philippine Stock Exchange ("**PSE**"), and a summary of the high and low share prices by quarter for the 3-year period ended December 31, 2006 is as follows:

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

The PSE has implemented a temporary trading suspension on the Company's shares following a disclosure dated July 5, 2006 relative to the authorization granted by the shareholders of the Company to enter into rehabilitation proceedings.

As discussed earlier in Section 1.B of this report, the Company received a tender offer report from Right Total on January 25, 2012, to purchase 27.92% shares of the minority stockholders. A total of 2,115,692 common shares were purchased by Right Total from tendering stockholders.

(2) Holders

As of December 31, 2016, the top twenty (20) stockholders of the Company are the following:

	Name	Citizenship	No. of shares	%
1	Steniel (Netherlands) Holdings B.V.	Dutch	720,848,912	72.08%
2	Roxburgh Investments Limited	BVI	123,817,953	12.38%
3	PCD Nominee Corporation	Filipino	85,015,058	8.61%
4	Valmora Investment & Mgt. Corp.	Filipino	10,443,860	1.04%
5	Rustico &/or Lolita Garingan	Filipino	2,097,276	0.21%
6	Delfin R. Maceda	Filipino	1,980,000	0.20%
7	PCD Nominee Corporation	Non-Filipino	1,921,606	0.19%
8	Calvin C. Chua	Filipino	1,828,500	0.18%
9	Sally C. Ong Pac	Filipino	1,450,000	0.15%
10	Leonardo T. Siguion-Reyna	Filipino	1,151,839	0.12%
11	Ella C. Santiago &/or Manuel A. Santiago	Filipino	1,100,000	0.13%
12	Christopher Chua	Filipino	1,000,000	0.10%
13	Estate of Mamerto Endriga	Filipino	906,011	0.09%
14	Stanley C. Sy	Filipino	750,000	0.08%
15	Manuel T. Carmona	Filipino	727,879	0.07%
16	Felisa Y. Tan	Filipino	582,000	0.06%
17	Gabriel Panlilio &/or Maritess Panlilio	Filipino	542,500	0.05%
18	Pua Yok Bing	Filipino	512,000	0.05%
19	Arnolfo Lim Sih	Filipino	510,000	0.05%
20	Nicolas Schoenenberger	Swiss	509,000	0.05%

The Company's securities consist of outstanding common shares.

As of December 31, 2016, the Company has a public float level of 15.53%.

(3) Dividends

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

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

Pursuant to its By-Laws, the board of directors of the Company has the power to determine whether any part of its surplus profits available for declaration as dividends shall be declared as dividends, subject to the provisions of law, and to provide that the dividends thus declared shall be applied in payment of new shares to be issued to the stockholders entitled to said dividends, which new shares shall be taken out of the authorized

and unissued capital stock of the Company, unless said stockholders advise the Company in writing that they opt to have said dividends paid in cash.

(4) Recent Sales of Unregistered Securities

Other than the issuance of 123,817,955 common shares to Roxburgh in 2010, the Company has not sold any unregistered securities or claimed an exemption from registration of the any securities sold or issued by it during the past five years.

Item 6. Management's Discussion and Analysis or Plan of Operation

Consolidated revenues for the current year totaled ₱60,771 million mainly generated from buying and selling of waste paper. The decrease of ₱44,483 million as compared with those of last year's ₱105,254 million was due to the temporary cessation of the Group's principal operations. However, gross profit margin rose from a GP rate of 4.5% last year compared to current period of 7.5%.

Operating expenses during the current year posted ₱21.343 million as compared to last year of ₱6.634 million.

Other income generated from the leasing of machineries and equipment in Davao posted a revenue of ₱0.897 million as compared to ₱1.572 million in 2015. This represents a 57.06% decrease compared to the previous year.

Income tax expense applicable to the current year amounting to ₱12.409 million against ₱12.421 million in 2015.

Overall, the Company ended the year 2016 with a consolidated net income for the current year of ₱22.999 million as compared to consolidated net income of ₱30.760 million last year. The robust income is mainly from the leasing activity that started during the 2nd semester of 2014.

As stated in Part I, Item 1.H of this report, there are no financing charges during the current year pursuant to the 2-year grace on interest payment as provided for in the Amended Agreement.

<u>Financial Position</u>

Total current assets as at December 31, 2016, totaled ₱303.378 million as compared with ₱294.514 million in 2015. The increase was mainly due to partial settlement of related party transactions and utilization of VAT asset. Meanwhile, total non-current assets totaled ₱90.719 million as at current year-end against last year's ₱81.439 million. The increase is attributed to new acquisition of investment in shares of stocks.

The Steniel Group's consolidated current liabilities as at current year-end totaled ₱338.547 million as compared with those in 2015 of ₱337.290 million. The increase is due mainly to trade payables pertaining to the purchase of machinery and equipment and scrap materials. Quarterly payment of long term debt as per amended loan agreement also reduced non-current liabilities from ₱237.978 million in 2015 to ₱227.631 million in 2016.

Total assets as at year-end 2016 totaled ₱394.097 million compared to ₱375.953 million in 2015. In view of the foregoing discussions, the Steniel Group's current ratio during the year recorded at 0.90 and last year's at 0.87. Debt-to-equity ratio in 2016 is -3.23.

Plans and Strategies

For 2016, management is optimistic to sustain its growth with the implementation of strategies towards maximizing available resources in buying and selling activity as well as leasing the remaining assets of the company. Also, the Group expects that it will be able to realize through a sale in 2017 the remaining asset held-for-sale above the asset's carrying amount as at December 31, 2016 after the issuance of Certificates Authorizing Registration by the Bureau of Internal Revenue. These activities are expected to generate for the Group sufficient cash flows to meet its maturing obligations.

Item 7. Financial Statements

The 2016 consolidated audited financial statements of the Company are attached as Exhibit III.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in or disagreements between the Company and the accountants on matters of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The term of office of directors of the Company is one (1) year. As of December 31, 2016, the directors and executive officers of the Company were:

Directors	Age	Position and Term of Office
Nixon Y. Lim	47	Chairman of the Board
Delma P. Bermundo	56	President & CEO
Eliza C. Macuray	59	Vice President & CFO
Esteban C. Ku	51	Director
Mark O. Vergara	51	Director
Kenneth George D. Wood	59	Independent Director
Roberto Roman V. Andes	61	Independent Director

(1) Board of Directors

Delma P. Bermundo

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

Eliza C. Macuray

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

Nixon Y. Lim

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

Esteban Ku

Mr. Ku holds a degree in Bachelor of Science, Major in Chemical Engineering from the University of San Carlos in Cebu City, where he graduated in 1988. From 1982 to 1992, he was a production supervisor for International Pharmaceutical, Inc. in Xiamen, China. He has since focused on the packaging business, having gained extensive experience in plant operations, sales and marketing and finance. Mr. Ku is currently the Managing Director of Corbox Corporation and Pakmaster Packaging Co.

Mark O. Vergara

Mark O. Vergara is a senior partner of the firm Martinez Vergara Gonzalez & Serrano. He received his Juris Doctor degree from the Ateneo de Manila Law School in 1992, and his Bachelor of Science in Legal Management degree from the Ateneo de Manila University in 1988. He was admitted to the Philippine Bar in 1993. Mr. Vergara is currently an Independent Director of Synergy Grid & Development Phils., Inc. Mr. Vergara is both a Director and Corporate Secretary of Applezee Asia Distributors Corp., Chroma Philippines, Inc., Creative Quoin Inc., First Treasures Management Enterprises Corporation, Marchington Woodlands Ventures, Inc., Pacific Harbor Investment Holdings Phils., Inc., Pebble Beach Properties, Inc., Precious Treasures (Makati) Enterprises, Inc., Private Treasures (Makati) Enterprises, Inc., Prime Treasures (Makati) Enterprises, Inc. and MV Holdings Inc. He is also a director of ADP (Philippines), Inc., ExlService Philipppines, Inc.Cerco Globa Philippines, Inc., Nomura Securities Philippines, Inc., and Prime Solutions and Consultancy, Inc. Mr. Vergara is Corporate Secretary of Green Siam Resources Corporation.

Kenneth George D. Wood

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

Roberto Roman V. Andes

Mr. Andes holds a degree in Bachelor of Science, major in Accounting, from the Far Eastern University, where he graduated from in 1976. He also holds a Masters in Management (Major in Industrial Relations) from the School of Labor and Industrial Relations of the University of the Philippines-Mindanao, which he attained in

1999. From 1977 to 1981, he was an external auditor of Price Waterhouse/Joaquin Cunanan & Co. He held the Branch Manager position at the Butuan and Davao branches of Marsman & Company, Inc. (from 1990 to 1997) and the Davao Branch of Zuellig Inchcape, Inc. (from 1999 to 2000). He was also the Operations Manager (from 2000 to 2007), Senior Operations Manager (from 2007 to 2009) and Logistics Consultant (from January to April 2010) of IDS Logistics (Philippines), Inc.. He served as the Senior Assistant VP – Luzon of Fastcargo Logistics Corporation, Inc. from June 2010 to July 2011. Thereafter, he was appointed as the General Manager of Filipinas Port Services, Inc. for the period from August 16, 2011 to April 15, 2012. Most recently, he was the Logistics Division Head of Sumifru (Phils.) Corporation, Inc. for the period from April 2012 to December 2012.

(2) Executive Officers

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

The Company considers the efforts of its directors, officers and employees to be the driving factor behind the success of its business operations, and generally regards all such individuals to be significant officers and employees.

(3) Involvement in Legal Proceedings

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

Item 10. Executive Compensation SUMMARY COMPENSATION TABLE

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

Aggregate Amount of Salaries and Bonuses				
Year	Salary	Bonus	Other Compensation	TOTAL
2015	755,000	0	0	755,000
2016	1,055,000	0	0	1,055,000
Aggregate Amount of Estimated Compensation for 2016				
Year	Salary	Bonus	Other Compensation	TOTAL
2017		0	0	

No other directors and executive officers are receiving compensation.

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

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

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

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

None of the directors, executive officers of the Company or persons nominated to the board of directors are related up to the 4th civil degree.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2016, the stockholders holding more than 5% of the outstanding stock of the Company were:[2]

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Shares	Steniel (Netherlands) Holdings B.V. Strawinskylaan 3105 Atrium, 1077 ZX Amsterdam, The Netherlands (Registered Shareholder)	record and beneficial	Dutch	720,848,912 (R)	72.08%
Common Shares	Roxburgh Investments Limited P.O. Box 957	record and beneficial	BVI	123,817,953 (R)	12.38%

[2] Based on records of the stock transfer agent, Stock Transfer Service, Inc. (list of top 100 stockholders as of December 31, 2016)

	Offshore Incorporations Center Road Town, Tortola British Virgin Islands (Registered Shareholder)				
Common Shares	PCD Nominee Corporation[3] 6th Flr. Makati Stock Exchange, 6767 Ayala Ave., Makati City (Registered Shareholder)	Philippine Central Depository, Inc.'s Various Participants	Filipino	85,015,058 (R)	8.50%

The Company is not aware of any voting trust or similar agreement where persons hold five percent (5%) or more of a class.

(2) Security Interest of Directors and Management

As of December 31, 2016, the security interest of directors and management is as follows:

Name and Address of Owner	Title of Class	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Delma P. Bermundo	Common	1 (R)	Filipino	nil
Eliza C. Macuray	Common	1 (R)	Filipino	nil
Nixon Y. Lim	Common	1 (R)	Filipino	nil
Esteban C. Ku	Common	1 (R)	Filipino	nil
Mark O. Vergara	Common	1 (R)	Filipino	nil
Kenneth George D. Wood	Common	1 (R)	Filipino	nil
Roberto Roman V. Andes	Common	1 (R)	Filipino	nil
Directors and officers as a group	Common	7		nil

(3) Changes in Control

On March 29, 2012, Right Total acquired 100% of the issued and outstanding capital of Steniel Netherlands from certain directors and officers of the Steniel Netherlands.

Item 12. Certain Relationships and Related Transactions

Transactions with related parties in the day-to-day course of business include inter-company[4] sale and/or transfer of inventories and equipment. Related party transactions are always at arm's-length. Please refer also to Note 25 - Related party transactions of the Notes to the Consolidated Financial Statements.

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

[4] Pertaining to transactions within the Steniel Group.

PART IV – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(1) Reports on SEC Form 17-C (Current Report) filed in 2014 to date

Date of Board Meeting	Action Taken
May 25, 2015	Setting of annual stockholders' meeting on July 10, 2015 and the Record Date on June 8, 2015
July 10, 2015	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors both held on July 10, 2015
April 26, 2016	Setting of annual stockholders' meeting on July 8, 2016 and the Record Date on May 31, 2016
July 11, 2016	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors both held on July 8, 2016

(2) Exhibits

Exhibit	Description of Document
I	Statement of Management's Responsibility for Financial Statements and Confirmation of No Change in Accounting Policies
II	Year 2016 Consolidated Audited Financial Statements of Steniel Manufacturing Corporation

the Amended Agreement. Hence, interest payments on each interest payment date shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a 2-year grace period. In relation to this, on March 1, 2012, the accrued interest, which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011.

In December 2014, lenders under the Amended Agreement agreed to the following repayment:

(a) two (2)-year grace period on the payment of interest or until December 31, 2014;
(b) quarterly payments of the principal amortization to commence on March 31, 2015 for a period of twenty five (25) years; and
(c) reduction of interest rates from 6% to 2% per annum on the first two (2) years, 3% per annum on the third and fourth years and 4% per annum from the fifth year until full repayment of the loan.

There are no known trends, events or uncertainties that will have a material impact on the Steniel Group's future operations except those that have already been disclosed in the foregoing. There are no other sources of revenue or income that are not ordinary in nature.

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

On March 2, 2012, the SEC approved the merger of four (4) subsidiaries of the Company, with SCPC as surviving company (the "**4-way Merger**").

Also, as discussed in Note 8 - Non-current assets held for sale in the Notes to the Consolidated Financial Statements, the Company reclassified certain remaining assets and shares of stocks in an associate to assets held-for-sale which was subject to *dacion en pago* under the provisions of the Amended Agreement. The assets and shares are measured at lower of the carrying amount and fair value less cost to sell if their carrying amount is recovered primarily through as sale transaction rather than continuing use as at December 31, 2016.

(J) Cost of Research and Development Activities

Not applicable.

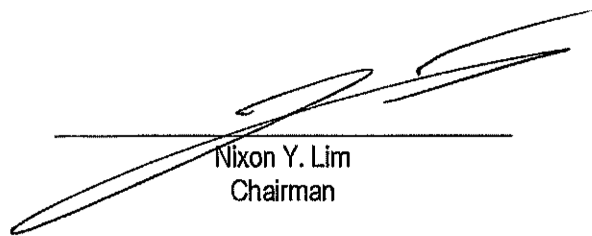
(K) Major Risks and Management of the Risks

The Company and the creditors/lenders signed the Amended Agreement on October 15, 2010 which restructured the Company's loans and resolved the default situation. The essential provisions of the Amended Agreement are discussed in detail in Item 1(H) above and in Note 1 – General information/Status of operations, in the Notes to Consolidated Financial Statements.

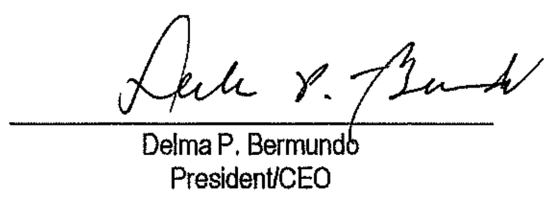
Please refer also to Note 20 - Financial risk management, of the Notes to Consolidated Financial Statements for additional discussions.

SIGNATURES

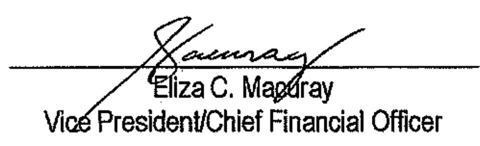
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of Steniel Manufacturing Corporation by the undersigned, thereunto duly authorized, in Pasig City on APR 2 1 2017.



Nixon Y. Lim
Chairman



Delma P. Bermundo
President/CEO



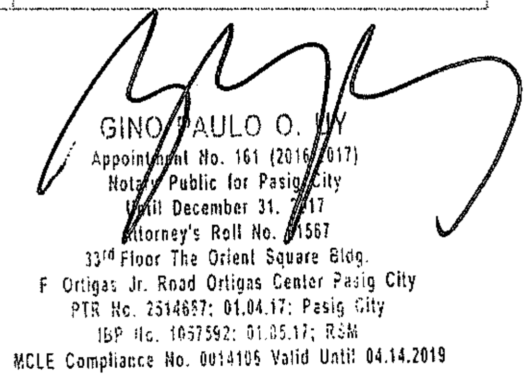
Eliza C. Macuray
Vice President/Chief Financial Officer

Mia M. Ormita
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 2 1 2017 at Pasig City, affiants exhibiting to me the following:

Name	Valid Identification	Date/Place Issued
Nixon Y. Lim	TIN 117-748-507	
Delma P. Bermundo	TIN 116-179-192	
Eliza C. Macuray	TIN 100-377-040	
Mia M. Ormita	TIN 907-477-586	

Doc. No. ____;
Page No. ____;
Book No. IV;
Series of 2017



GINO PAULO O. UY
Appointment No. 161 (2016-2017)
Notary Public for Pasig City
Until December 31, 2017
Attorney's Roll No. 61567
33rd Floor The Orient Square Bldg.
F Ortigas Jr. Road Ortigas Center Pasig City
PTR No. 2514657; 01.04.17; Pasig City
IBP No. 1057592; 01.05.17; RSM
MCLE Compliance No. 0014105 Valid Until 04.14.2019

STENIEL MANUFACTURING CORPORATION
Gateway Business Park, Brgy. Javalera, General Trias, Cavite

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Steniel Manufacturing Corporation and Subsidiaries** (the **"Company"**) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2016 and 2015,** in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (BOD) is responsible for overseeing the Company's financial reporting process.

The BOD reviews and approves the financial statements including the attached schedules therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

NIXON Y. LIM
Chairman of the Board

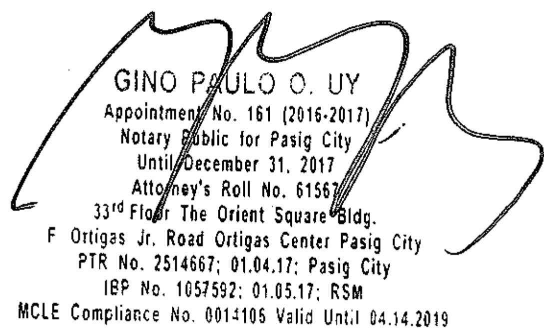
DELMA P. BERMUNDO
President

ELIZA C. MACURAY
Chief Financial Officer

Signed this 31st day of March, 2017

SUBSCRIBED AND SWORN to before me this day of APR 2 7 2017 by affiants who exhibited to me their Tax Identification No., as follows:

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



Doc No. 178 ;
Page No. 37 ;
Book No. IV ;
Series of 2017.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 3 7 3 6

COMPANY NAME

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Gateway Business Park
Brgy. Javalera, General Trias
Cavite

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	361-9061	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,669	Any day in May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Eliza C. Macuray	elizmacuray@yahoo.com	361-9061	09189110919

CONTACT PERSON's ADDRESS

Gateway Business Park Brgy. Javalera, General Trias, Cavite

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017
pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements. The Group has temporarily ceased its manufacturing operations and has incurred recurring losses in prior years resulting to a deficit of P1,587.5 million and P1,610.5 million as at December 31, 2016 and 2015, respectively, and a capital deficiency of P172.08 million and P199.32 million as at December 31, 2016 and 2015, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. On October 15, 2010, the Group and the new lenders signed the Amended and Restated Omnibus Agreement (Amended Agreement) to restructure its loans with a new term of 25 years. The management believes that the Group's ability to continue operating as a going concern depends on the fulfillment of the restructuring plan and its ability to generate sufficient cash flows to meet its obligations and the terms and conditions of the restructuring plan, which will contribute to the positive improvement of the operations; and ultimately to attain profitability. As part of management's plan, the Group will continue to lease out its idle machinery and equipment to generate income. The Group also expects that it will be able to realize through sale by 2017 the remaining asset held-for-sale above the asset's carrying amount as at December 31, 2016 after the issuance of certificates authorizing registration by the Bureau of Internal Revenue. These activities are expected to generate for the Group sufficient cash flows to meet its maturing obligations. There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing. We have conducted sufficient audit procedures to verify the aforementioned plan.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue its business operations for the foreseeable future and do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC 17-A for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be available after the date of auditor's report.

Our opinion on the consolidated financial statements does not cover other information, and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether there are indications that the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

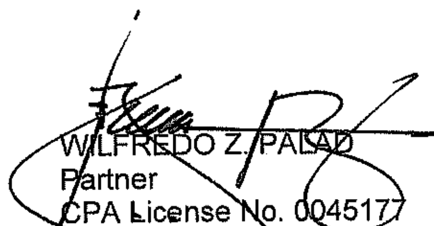
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Wilfredo Z. Palad.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-6-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904939MD
Issued January 3, 2017 at Makati City

March 31, 2017
Makati City, Metro Manila

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash in banks	*5, 20*	**P3,692**	P5,554
Receivables - net	*6, 13, 20*	**53,037**	25,714
Prepaid expenses and other current assets - net	*7*	**125,800**	142,397
		182,529	173,665
Asset held-for-sale	*8*	**120,849**	120,849
Total Current Assets		**303,378**	294,514
Noncurrent Assets			
Property and equipment - net	*9*	**46,414**	60,620
Available-for-sale financial assets	*10, 20*	**44,285**	20,799
Other noncurrent assets		**20**	20
Total Noncurrent Assets		**90,719**	81,439
		P394,097	P375,953
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Trade payables and other current liabilities	*11, 20*	**P41,801**	P40,544
Amounts owed to related parties	*13, 20*	**95,877**	95,877
Current portion of borrowings	*1, 12, 13, 20*	**200,869**	200,869
Total Current Liabilities		**338,547**	337,290
Noncurrent Liability			
Borrowings, net of current portion	*1, 12, 13, 20*	**227,631**	237,978
Total Liabilities		**566,178**	575,268
Capital Deficiency			
Capital stock	*19*	**1,000,000**	1,000,000
Additional paid-in capital	*19*	**414,632**	414,632
Unrealized gain (loss) on available-for-sale financial assets	*10*	**789**	(3,446)
Deficit	*1*	**(1,587,502)**	(1,610,501)
Total Capital Deficiency		**(172,081)**	(199,315)
		P394,097	P375,953

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, except basic and diluted earnings per share)

	Note	Years Ended December 31		
		2016	2015	2014
REVENUES				
Rent income	*13, 14*	**P60,771**	P60,771	P29,521
Product sales		**-**	44,483	17,444
TOTAL REVENUES		**60,771**	105,254	46,965
COST OF SALES AND SERVICES	*15*	**(15,261)**	(58,389)	(18,638)
GROSS PROFIT		**45,510**	46,865	28,327
OPERATING EXPENSES	*16*	**(6,082)**	(5,256)	(5,361)
INTEREST EXPENSE	*12, 13*	**(4,917)**	-	-
OTHER INCOME (EXPENSES) - Net	*17*	**897**	1,572	(5,166)
INCOME BEFORE PROVISION FOR INCOME TAX		**35,408**	43,181	17,800
INCOME TAX EXPENSE	*18*	**12,409**	12,421	614
NET INCOME		**22,999**	30,760	17,186
OTHER COMPREHENSIVE INCOME				
Item that may be reclassified to profit or loss				
Changes in the fair value of available-for-sale financial assets	*10*	**4,235**	(3,701)	255
TOTAL COMPREHENSIVE INCOME		**P27,234**	P27,059	P17,441
Basic and Diluted Earnings Per Share	*19*	**P0.0230**	P0.0308	P0.0172

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL DEFICIENCY
(Amounts in Thousands)

					Years Ended December 31
	Capital Stock (Note 19)	**Additional Paid-in Capital** (Note 19)	**Unrealized Gain (Loss) on Available-for-Sale Financial Assets** (Note 10)	**Deficit** (Note 1)	**Total Capital Deficiency**
January 1, 2016	**P1,000,000**	**P414,632**	**(P3,446)**	**(P1,610,501)**	**(P199,315)**
Net income during the year	-	-	-	22,999	22,999
Changes in the fair value of available-for-sale financial assets	-	-	4,235	-	4,235
Total comprehensive income during the year	-	-	4,235	22,999	27,234
December 31, 2016	**P1,000,000**	**P414,632**	**P789**	**(P1,587,502)**	**(P172,081)**
January 1, 2015	P1,000,000	P414,632	P255	(P1,641,261)	(P226,374)
Net income during the year				30,760	30,760
Changes in the fair value of available-for-sale financial assets	-	-	(3,701)	-	(3,701)
Total comprehensive income during the year	-	-	(3,701)	30,760	27,059
December 31, 2015	P1,000,000	P414,632	(P3,446)	(P1,610,501)	(P199,315)

Forward

Years Ended December 31

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 10)	Deficit (Note 1)	Total Capital Deficiency
January 1, 2014	P1,000,000	P414,632	P -	(P1,658,447)	(P243,815)
Net income during the year	-	-	-	17,186	17,186
Changes in the fair value of available-for-sale financial assets	-	-	255	-	255
Total comprehensive income during the year	-	-	255	17,186	17,441
December 31, 2014	P1,000,000	P414,632	P255	(P1,641,261)	(P226,374)

See Notes to the Consolidated Financial Statements.

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

		Years Ended December 31		
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P35,408**	P43,181	P17,800
Adjustments for:				
Depreciation	*9, 15, 16*	**14,206**	11,552	3,282
Interest expense	*12, 13*	**4,917**	-	-
Interest income	*5, 17*	**(13)**	(15)	(5)
Unrealized foreign exchange gain	*17*	**(17)**	(16)	(1)
Gain on sale of available-for-sale financial assets	*17*	**(131)**	(202)	-
Dividend income	*10, 17*	**(737)**	(332)	(191)
Gain on settlement of debt	*17*	**-**	(1,007)	(819)
Write-off of receivables		**-**	-	9,305
Loss on sale of asset held-for-sale	*17*	**-**	-	6,542
Reversal of long outstanding trade payables and accruals	*17*	**-**	-	(361)
Operating income before working capital changes		**53,633**	53,161	35,552
Decrease (increase) in:				
Receivables		**(27,323)**	13,233	189,538
Prepaid expenses and other current assets		**4,188**	7,167	(44,538)
Increase (decrease) in:				
Trade payables and other current liabilities		**1,257**	(41,410)	(100,337)
Amounts owed to related parties		**-**	1,898	85
Net cash generated from operations		**31,755**	34,049	80,300
Dividend received		**737**	332	191
Interest received		**13**	15	5
Interest paid		**(4,917)**	-	-
Net cash provided by operating activities		**27,588**	34,396	80,496
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of available-for-sale financial assets		**2,911**	1,130	-
Acquisition of available-for-sale financial assets	*10*	**(22,031)**	(12,082)	(2,230)
Additions to property and equipment	*9*	**-**	(10,706)	(46,903)
Proceed from sale of assets held-for-sale		**-**	-	89,286
Net cash provided by (used in) investing activities		**(19,120)**	(21,658)	40,153

Forward

	Note	2016	2015	2014
		Years Ended December 31		
CASH FLOWS FROM A FINANCING ACTIVITY				
Payment of borrowings		**(P10,347)**	(P10,347)	(P119,107)
EFFECTS OF FOREIGN EXCHANGE RATES ON CASH IN BANKS		**17**	16	1
NET INCREASE (DECREASE) IN CASH IN BANKS		**(1,862)**	2,407	1,543
CASH IN BANKS AT BEGINNING OF YEAR	*5*	**5,554**	3,147	1,604
CASH IN BANKS AT END OF YEAR	*5*	**P3,692**	P5,554	P3,147

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

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

On September 11, 2013, the SEC approved the Amended Articles of Incorporation of the Parent Company, extending the corporate life for another 50 years from September 13, 2013.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Group, the Parent Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Group was carried out and completed with the Parent Company's principal activity now limited to holding of investments. In addition, the remaining idle assets of the Parent Company were leased out to a related party.

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

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Parent Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Parent Company's outstanding debts (Notes 12 and 19). As a result, Roxburgh owns 12.3818% of the Parent Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

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

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

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

	Percent of Ownership	
	2016	2015
Steniel Cavite Packaging Corporation (SCPC)	**100**	100
Treasure Packaging Corporation (TPC)	**100**	100

SCPC
SCPC was incorporated and registered with the SEC on November 9, 1993 primarily to engage in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers and all others allied products and processes.

On June 30, 2006, SCPC's BOD decided to discontinue its packaging operations in view of the continued business losses incurred since its incorporation, in addition to difficult economic and business conditions. SCPC used to purchase, process and resell various paper products and lease its machinery and equipment to generate income, until 2015 when the former was discontinued. On January 10, 2017, the SEC approved the equity restructuring of SCPC which will wipe out the deficit as at December 31, 2016 and 2015.

On June 15, 2016 and July 8, 2016, SCPC's BOD and Shareholders, respectively, approved the change in its address and principal office at Gateway Business Park, Brgy. Javalera, General Trias, Cavite. The amendment of Articles of Incorporation of SCPC for the change in address was subsequently approved by the SEC on January 10, 2017.

TPC
TPC was incorporated and registered with the SEC on May 23, 1994 primarily to engage in the manufacturing, processing, purchasing, and selling on wholesale basis, paper, paper rolls, paper boards, cartons, containers, packaging material and other pulp and paper products. The registered office address and principal office of TPC is at Hernan Cortes Street, Manduae City, Cebu, Philippines.

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

TPC is in a dormant status as at December 31, 2016 and 2015.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the Board of Directors and Shareholders of the respective entities. As at March 31, 2017, both companies have yet to submit the Plan of Merger, Articles of Merger and all necessary documents to SEC.

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

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

- The outstanding principal and accrued interest expense as at September 30, 2010 was restructured for 25 years.

- Conditional waiver of penalty and other charges upon the faithful performance by the Parent Company of the terms of restructuring.

- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in Steniel Land Corporation (SLC), (b) identified idle assets of STN and its subsidiaries, and (c) by way of conversion into equity though the issuance of the Parent Company's unissued capital stock.

- The outstanding principal amount after the dacion en pago or sale of properties shall be paid in 92 consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date of restructuring.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest of 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be for the account of the Parent Company; and

- Other conditions include:

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.

  b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.

  c. No dividend declaration or payments until the restructured obligations are fully paid.

  d. No new borrowing, unless with written consent of the lenders.

  e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.

  f. Creditor's consent for change in material ownership in the Group and mortgagors.

  g. Standard covenants, representations and warranties.

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

The dacion en pago relating to the Group's shares in SLC and SCPC's land and building has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 million to P289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2017. The change in ownership and management in early 2012 generally caused the delay in the implementation of the dacion en pago.

Restructuring of Subsidiaries
In 2011, following the provisions in the Amended Agreement, the Parent Company filed a merger application with the SEC to absorb TPC. On August 12, 2013, following management's assessment, the Board of STN and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, i.e., merger of or with other subsidiaries.

In addition, SCPC submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by SCPC on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

STN also had a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN were assigned to Greenkraft, and the remaining interest of SCPC in SLC is 29.21%. As at December 31, 2016 and 2015, Greenkraft now holds 20.44% interest in SLC, while the remaining interest of SCPC is 79.56%.

Interest Payments

On December 2, 2011, the current creditors/lenders agreed to waive the payment of interest for the first two (2) years of the loan commencing on the restructuring date, to correspond to the principal repayment as stated in the Amended Agreement. Hence, interest payments shall be made in accordance with the Amended Agreement but shall commence on the 27th month after the restructuring date, inclusive of a two (2) year grace period. In relation to this, on March 1, 2012, the accrued interest which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was also condoned by its major creditors effective December 31, 2011 (Note 12).

In 2013, due to continuous working capital drain experienced by the group as a result of difficult economic and business conditions, STN requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. STN was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges until January 1, 2016.

Status of Operations

The Group has temporarily ceased its principal operations and has incurred recurring losses in prior years resulting to a deficit of P1,587.5 million and P1,610.5 million as at December 31, 2016 and 2015, respectively, and a capital deficiency of P172.08 million and P199.32 million as at December 31, 2016 and 2015, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in existence.

With all the above matters, management believes that the Group's ability to continue operating as a going concern depends on the fulfillment of the restructuring plan and its ability to generate sufficient cash flows to meet its obligations and the terms and conditions of the restructuring plan, which will contribute to the positive improvement of the operations; and ultimately to attain profitability. As part of management's plan, the Group will continue to lease out its idle machinery and equipment to generate income. Also, the Group expects that it will be able to realize through sale in 2017 the remaining asset held-for-sale above the asset's carrying amount as at December 31, 2016 after the issuance of certificates authorizing registration by the Bureau of Internal Revenue (BIR). These activities are expected to generate for the Group sufficient cash flows to meet its maturing obligations. There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing.

2. Basis of Preparation

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

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting.

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

The consolidated financial statements as at and for the year ended December 31, 2016 were approved and authorized for issuance by the BOD on March 31, 2017.

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

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10, *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases.

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

3. Summary of Significant Accounting Policies

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

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

The Group has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets).* The amendments to *PAS 38* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to *PAS 16* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Annual Improvements to PFRS 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards. The following are the said improvements or amendments to PFRS, none of which has a significant effect on the consolidated financial statements of the Group:

  - *Changes In Method for Disposal (Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations).* PFRS 5 is amended to clarify that:

    - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

    - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

    Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

- *'Continuing Involvement' for Servicing Contracts (Amendment to PFRS 7, Financial Instruments: Disclosures).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

- *Offsetting Disclosures In Condensed Interim Financial Statements (Amendment to PFRS 7).* PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34, Interim Financial Reporting* require their inclusion.

- *Disclosure of Information "Elsewhere In the Interim Financial Report' (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted
A number of new and amended standards are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing these consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

Effective January 1, 2017

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

Financial Instruments

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

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

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

As at December 31, 2016 and 2015, the Group has no financial assets and liabilities at FVPL and HTM investments.

Financial Assets

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

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

The Group's cash in banks and receivables are included in this category.

Cash in banks is stated at face value.

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

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from reporting date.

The Group's investments in shares of stock of utility companies in golf and country club memberships are included in this category.

<u>*Financial Liabilities*</u>

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

The Group's trade payables and other current liabilities, amounts owed to related parties and borrowings are included in this category.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

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

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

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

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

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

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

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

With respect to receivables, the Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectable receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly.

If impairment is fully evident, the Group then decides to write-off such to the extent of the carrying value of the receivable. This is, however, subject to the approval of the BOD. Impairment is said to be fully evident to a particular account with the cited reasons: (a) the counterparty declares bankruptcy; (b) the accounts remain uncollectible after exhausting all efforts; or (c) the account has been outstanding for at least two years.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. In evaluating whether the period of decline in the fair value of equity instruments is prolonged, the period of decline is the entire period for which the fair value has been below cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

A financial instrument is an equity instrument only if: (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Prepaid Expenses and Other Current Assets

This account comprises prepayments and prepaid items such as creditable withholding taxes and input taxes. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent assets.

Creditable withholding tax pertains to the amount withheld by suppliers which can be applied against income tax due.. It is carried at face value less allowance for unrecoverable tax credits. The Group maintains an allowance for the amount which can no longer be claimed or applied against income tax due.

Property and Equipment

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

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

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

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

	Number of Years
Machinery and equipment	3 - 10
Computer equipment	3 - 5

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

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

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

Asset Held-for-Sale

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Retirement Benefits
Republic Act (RA) 7641 "Philippine Retirement Law" requires a company to pay a minimum retirement benefits to employees who retire after reaching the mandatory age of 65 years old or optional retirement age of 60 years old with at least five (5) years of service to the Group.

Management determined that the present value of the obligation arising from RA 7641 is not material to the consolidated financial statements.

Capital Stock
Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

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

Revenue and Expense Recognition
The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rent Income
Rental revenues from operating leases are recognized in profit or loss on a straight-line basis over the term of the lease agreement.

Product Sales
Product sales, including scrap papers, are recognized when the delivery has taken place and when significant risks and rewards of ownership are transferred to customers.

Dividend Income
Dividend income is recognized when the right to receive the payment is established.

Interest and Other Income
Interest income on bank deposits, net of withholding tax, and other income are recorded when earned.

Cost and Expenses
Costs and expenses in profit or loss are presented using function of expense method. Interest expense on the borrowings is calculated using effective interest method by applying effective interest rate.

Leases

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

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

Operating Lease

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Basic and Diluted Earnings Per Share (EPS)

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

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

Foreign Currency Transactions and Translation

Transactions and Balances

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

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" in the consolidated statements of financial position.

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

Related Party Transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 21 to the consolidated financial statements. The Chief Financial Officer (the chief operating decision maker) reviews management reports on a regular basis.

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

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

4. Management's Use of Judgments, Estimates and Assumptions

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

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

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

Operating Lease Commitments - Group as Lessor
The Group has entered into an operating lease agreement as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on the lease.

Rent income recognized in profit or loss amounted to P60.771 million, P60.771 million and P29.521 million in 2016, 2015 and 2014, respectively (Notes 13 and 14).

Measurement of Fair Values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair value of the Group's financial instruments are disclosed in Note 20.

Going Concern
Management prepares the Group's consolidated financial statements on going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The management plans to continue the Group as a going concern are discussed in Note 1.

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

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

Allowance for impairment losses on receivables amounted to P35.480 million and P36.098 million as at December 31, 2016 and 2015, respectively. The carrying amount of receivables amounted to P53.037 million and P25.714 million as at December 31, 2016 and 2015, respectively (Note 6).

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

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

The carrying amount of the Group's property and equipment as at December 31, 2016 and 2015 amounted to P46.414 million and P60.620 million, respectively (Note 9).

Impairment of AFS Financial Assets
The Group follows the guidance of PAS 39 in determining when an AFS investment is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook of the investee, including factors such as industry sector performance, and operational and financing cash flow.

No allowance for impairment losses on AFS financial assets was recognized as at December 31, 2016 and 2015. The carrying amount of AFS financial assets as at December 31, 2016 and 2015 amounted to P44.285 million and P20.799 million, respectively (Note 10).

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

Based on the assessment of the Group, certain nonfinancial assets are to be provided with allowance for impairment.

Allowance for impairment losses on advances to suppliers amounted to P1.843 million and P3.126 million as at December 31, 2016 and 2015, respectively. Allowance for unrecoverable tax credits amounted to P7.993 million as at December 31, 2016 and 2015 (Note 7).

Accumulated impairment losses on assets held-for-sale amounted to P199.96 million as at December 31, 2016 and 2015 (Note 8).

No impairment loss was recognized on property and equipment as at December 31, 2016 and 2015 (Note 9).

Estimation of Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference is based on the projected taxable income in the following periods. The management considered it probable that future taxable profits would be available against which such losses can be used.

Deferred tax assets have not been recognized as at December 31, 2016 and 2015 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 18).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.
No provisions were recognized by the Group in 2016 and 2015.

5. Cash in Banks

The Group's cash in banks earns annual interest at the respective bank deposit rates. Interest income from cash in banks amounted to P0.013 million, P0.015 million and P0.005 million in 2016, 2015 and 2014, respectively (Note 17).

6. Receivables

This account consists of:

	Note	**2016**	2015
Trade receivables:			
Third parties		**P35,480**	P35,480
Related party	*13*	**45,188**	16,257
Non-trade receivables:			
Third parties		**-**	2,243
Related party	*13*	**7,849**	7,832
		88,517	61,812
Less allowance for impairment losses on:			
Trade receivables - third parties		**(35,480)**	(35,480)
Non-trade receivables - related party		**-**	(618)
		(35,480)	(36,098)
	20	**P53,037**	P25,714

Trade receivables from a related party are non-interest bearing and are generally with 60-day term. Trade receivables from third parties were fully provided with allowance as these were past due and impaired. The individually impaired receivable mainly pertain to customers which are in unexpectedly difficult economic situations.

Non-trade receivables pertain to receivable from rent income, scrap sales transactions and reimbursements of costs incurred on behalf of trade customers.

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

	2016	2015
Balance at beginning of year	**P36,098**	P36,098
Reversal of impairment loss	**(535)**	-
Write-off	**(83)**	-
Balance at end of year	**P35,480**	P36,098

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2016	2015
Advances to suppliers	**P1,843**	P3,565
Allowance for impairment loss	**(1,843)**	(3,126)
	-	439
Creditable withholding taxes (CWT)	**79,135**	88,506
Allowance for unrecoverable tax credits	**(7,993)**	(7,993)
	71,142	80,513
Input value-added taxes	**54,658**	61,445
	P125,800	P142,397

Creditable withholding taxes pertain to taxes withheld by the Group's customers which can be applied against future income tax liability.

Input VAT represents accumulated input taxes from purchases of goods and services for business operations which can be applied against future output VAT.

8. Asset Held-for-Sale

Investment in associate (SLC) represents 249,500 common shares and 4,920 voting preferred shares with a par value of P1 per share and P10 per share, respectively. The Parent Company's percentage of interest in SLC is based on its direct 10.22% equity plus the 29.49% equity in SLC held by its two (2) wholly-owned subsidiaries. All the shares are covered by the dacion en pago in compliance with the approved loan restructuring (Note 1). This arrangement materialized in 2010 and the amount was reclassified from investment in associate to asset held-for-sale.

The ownership of the Group in SLC is measured at lower of the carrying amount and fair value less cost to sell. In 2012, the preferred shares held by the Parent Company in SLC amounting to P0.049 million were transferred to Greenkraft in relation to dacion en pago (Note 1) and reduced the loan for the same amount.

As at December 31, 2012, the carrying amount of the shares related to the Parent Company's preferred shares in SLC based on par value was also reduced to P0.249 million after issuance of the certificate authorizing registration. The carrying amount related to the shares of SCPC in SLC amounted to P120.601 million, the transfer of which is expected to be completed in 2017.

The movements and balances of the asset held-for-sale as at December 31, 2016 and 2015 are as follows:

Investment in an Associate	
Cost	
January 1, 2010	P417,779
Accumulated Share in Net Losses	
January 1, 2010	(28,013)
Share in financial performance for the year	(55,197)
	(83,210)
Allowance for impairment	(199,958)
Carrying amount reclassified as asset held-for-sale in 2010	134,611
Assigned/written-off in 2012	(13,762)
	120,849
Asset Held-for-Sale	
December 31, 2016 and 2015	**P120,849**

The disposal of assets held-for-sale in 2014 resulted to a loss of P6.542 million presented as part of 'Other income (expenses)' in the consolidated statements of comprehensive income (Note 17).

9. Property and Equipment

The movements and balances of property and equipment as at December 31, 2016 and 2015 are as follows:

	Machinery and Equipment	Computer Equipment	Total
Cost			
January 1, 2015	P66,616	P577	P67,193
Additions	10,706	-	10,706
December 31, 2016 and 2015	**77,322**	**577**	**77,899**
Accumulated Depreciation			
January 1, 2015	5,207	520	5,727
Depreciation	11,512	40	11,552
December 31, 2015	16,719	560	17,279
Depreciation	14,189	17	14,206
December 31, 2016	**30,908**	**577**	**31,485**
Carrying Values			
December 31, 2015	P60,603	P17	P60,620
December 31, 2016	**P46,414**	**P -**	**P46,414**

In 2015, the Group acquired certain machinery and equipment for the purpose of rental to a related party (Notes 13 and 14).

10. Available-for-Sale Financial Assets

The account consists of investments in shares of stock of utility companies and golf/country club memberships which the Group does not intend to dispose in the short-term and as such, were designated as AFS financial assets.
These investments were measured at fair value based on quoted prices as at December 31, 2016 and 2015.

Details of available-for-sale financial assets are as follows:

	Note	**2016**	2015
Cost			
Balance at beginning of year		**P24,245**	P13,091
Purchase		**22,031**	12,082
Disposal		**(2,780)**	(928)
Balance at end of year		**43,496**	24,245
Changes in Fair Value			
Balance at beginning of year		**(3,446)**	255
Changes in fair value		**4,235**	(3,701)
Balance at end of year		**789**	(3,446)
	20	**P44,285**	P20,799

Dividend income earned in 2016, 2015 and 2014 amounted to P0.737 million, P0.332 million and P0.191 million, respectively (Note 17).

11. Trade Payables and Other Current Liabilities

This account consists of:

	Note	**2016**	2015
Trade payables		**P38,859**	P37,757
Non-trade payables		**2,409**	873
	20	**41,268**	38,630
Accrued expenses	*20*	**335**	1,519
Payable to government agencies		**198**	395
		P41,801	P40,544

Trade payables mainly pertain to purchase of machinery and equipment and scrap materials. These are non-interest bearing and are generally with 60 to 90-day term.

Non-trade payables pertain to advances from employees and other employee benefits payable. These are non-interest bearing and are payable on demand.

Accrued expenses include repairs and maintenance, professional, security and other services, and utility payables.

12. Borrowings

This account consists of:

	Note	**2016**	2015
Current portion:			
Greenkraft Corporation		**P193,360**	P193,360
Roxburgh Investment Limited		**7,509**	7,509
		200,869	200,869
Net of current portion:			
Greenkraft Corporation		**54,926**	65,273
Roxburgh Investment Limited		**172,705**	172,705
		227,631	237,978
	1, 13	**P428,500**	P438,847

The above secured loans were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The said creditors/lenders are now considered related parties of STN following the dacion en pago arrangements in 2010 and re-assessment of related party relationships during the year (Notes 1 and 13).

The property and equipment of the Group and present and future receivables of the subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements, declined from P290 million to P289.88 million (Note 1). In 2014, the land and land improvements and building and building improvements of SCPC were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Group and payment terms as discussed in 0Note 1 which is due after completion of dacion en pago that is expected to be completed in 2017. Upon approval of the Amended Agreement, the above creditors are aware of the Group's non-compliance with covenant due to the Group's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest amounting to P294.6 million which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011. In addition, the accrued interest in 2010 amounting to P13.1 million was also reversed in 2011 in relation to the 2-year grace period provided by its creditors. These were all offset against advances to SCPC as the proceeds of the original loan were loaned by the Parent Company to SCPC, subject to the same interest rates.

In 2012, TPC and SCPC's investment in shares of stock with SLC amounting to P0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements (Note 1) resulting to a reduction of the borrowing balance.

In 2013, the creditors/lenders granted STN two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges until January 1, 2016. Interest expense amounted to P4.917 million in 2016 (Note 13).

13. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In the normal course of business, the Group has transactions and balances with its related parties, summarized as follows:

	Year	*Note*	Amount of Transaction	Receivables	Amounts Owed to Related Parties	Borrowings	Terms	Conditions
Entity Under Common Control								
Advances	2016		P -	P -	P75,896	P -	Payable on demand; non- interest bearing	Unsecured
	2015		-	-	75,896	-		
Rent income	2016	*6, 14*	60,771	46,188	-	-	Collectible within 60 days; non- interest bearing	Unsecured; no impairment
	2015	*6, 14*	60,771	16,257	-	-		
Reimbursements	2016	*6*	-	7,849	-	-	Collectible on demand; non-interest bearing	Unsecured; no impairment
	2015	*6*	-	7,832	-	-		
Associate								
Advances	2016		-	-	19,981	-	Payable on demand; non-interest bearing	Unsecured
	2015		-	-	19,981	-		
Shareholders								
Borrowings	2016	*12*	-	-	-	428,500	Payable in quarterly installments for 25 years; interest-bearing at 2% p.a. on the first five years, 6% p.a. on the 6th until the 15th year, and 8% p.a. on the 16th year onwards until maturity	Secured by various current and noncurrent assets of the Group
	2015	*12*	-	-	-	436,847		
Interest expense on borrowings	2016	*12*	4,917	-	-	-	Payable in quarterly installments for 25 years	Secured
Key Management Personnel								
Short-term benefits	2016	*16*	1,008	-	-	-	Payable on demand; non-interest bearing	Unsecured
	2015	*16*	1,055	-	-	-		
	2016			**P53,037**	**P95,877**	**P428,500**		
	2015			P24,089	P95,877	P436,847		

a. Amounts owed to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates. These are expected to be recovered through realization of the dacion en pago in payment of the investment in shares of stocks of SCPC in SLC.

b. Reimbursement of various expenses were paid in advance by the Parent Company and charged to the related party. These are expected to be settled in cash.

c. Compensation of the Group's key management personnel is comprised of short-term benefits amounting to P1.008 million and P1.055 million in 2016 and 2015, respectively, recognized as part of "Professional fees, security and outside services" under Operating Expenses (Note 16).

14. Significant Agreements

Lease Agreement

The Group, as a lessor, entered into a lease contract with SMPC, a company under common control, for certain machinery and equipment. The lease contract is for a period of one year and automatically renewed or extended for further one-year period under the same terms and conditions as agreed upon by both parties. Rental income from this transaction amounted to P60.771 million in 2016 and 2015 (Note 13).

15. Cost of Sales and Services

This account consists of:

	Note	2016	2015	2014
Cost of sales		**P -**	P44,354	P17,335
Cost of services:				
Depreciation	9	**12,261**	9,584	1,303
Repairs and maintenance		**3,000**	4,451	-
		P15,261	P58,389	P18,638

Cost of sales represents the acquisition cost of scrap papers which were sold in their original state.

16. Operating Expenses

This account consists of:

	Note	2016	2015	2014
Depreciation	9	**P1,945**	P1,968	P1,979
Professional fees, security and outside services	13	**1,742**	1,750	1,701
Insurance, taxes and licenses		**999**	449	237
Salaries, wages and employee benefits		**688**	402	336
Listing fees		**253**	253	253
Representation and entertainment		**173**	164	262
Utilities and office expenses		**51**	51	234
Transportation and travel		**33**	31	130
Others		**198**	188	229
		P6,082	P5,256	P5,361

17. Other Income (Expenses)

This account consists of:

	Note	2016	2015	2014
Dividend income	10	**P737**	P332	P191
Gain on sale of available-for-sale financial assets		**131**	202	-
Unrealized foreign exchange gain		**17**	16	1
Interest income	5	**13**	15	5
Bank charges		**(1)**	-	(1)
Gain on settlement of debt		**-**	1,007	819
Reversal of long outstanding trade payables and accruals		**-**	-	361
Loss on sale of asset held-for-sale	8	**-**	-	(6,542)
		P897	P1,572	(P5,166)

18. Income Taxes

Income tax expense pertains to current tax expense amounting to P12.409 million, P12.421 million and P0.614 million in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Income before income tax	**P35,408**	P43,181	P17,800
Tax statutory tax rate of 30%	**P10,622**	P12,954	P5,340
Adjustments to income tax resulting from tax effects of:			
Movement of net operating loss carry over (NOLCO)	**2,596**	833	156
Non-deductible expenses	**25**	-	53
Interest income subjected to final tax	**(4)**	(4)	(2)
Gain on sale of AFS financial assets	**(39)**	(61)	-
Dividend income	**(221)**	(100)	(57)
Unrecognized deferred income tax assets on temporary differences	**(570)**	-	(5,462)
Movement of minimum corporate income tax (MCIT)	**-**	(1,201)	614
Reversal of accruals	**-**	-	(28)
	P12,409	P12,421	P614

The Group has unrecognized deferred tax assets on the following temporary differences, NOLCO and MCIT credits.

	2016	2015
Temporary differences:		
Allowance for impairment losses of assets held-for-sale (previously recognized as investment in an associate)	**P199,958**	P199,958
Allowance for impairment losses of receivables	**35,480**	36,098
Allowance for unrecoverable tax credits	**7,993**	7,993
Allowance for impairments losses of advances to suppliers	**1,843**	3,126
	245,274	247,175
NOLCO	**474**	121
MCIT	**5**	135
	P245,753	P247,431

The Group has NOLCO amounting to P0.474 million as at December 31, 2016, which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/Applied	Balance	Date of Expiry
2016	P386	P -	P386	2019
2015	83	-	83	2018
2014	673	(668)	5	2017
2013	33	(33)	-	2016
	P1,175	(P701)	P474	

The Group has MCIT amounting to P0.005 million as at December 31, 2016, which can be carried forward as deduction against future taxable income as follows:

Year Incurred	Amount	Expired/Applied	Balance	Date of Expiry
2014	P614	(P609)	P5	2017
2013	130	(130)	-	2016
	P744	(P739)	P5	

19. Capital Deficiency

Capital Stock
This account consists of:

	No. of Shares	Par Value Per Share	Amount in Thousand
Authorized	1,000,000,000	1	P1,000,000
Issued and outstanding	1,000,000,000	1	1,000,000

Additional Paid-in Capital
The Parent Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

Earnings Per Share
The Parent Company has no dilutive equity instruments. Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

	2016	2015	2014
Net income	**P22,999**	P30,760	P17,186
Divided by weighted average number of common shares, in thousands	**1,000,000**	1,000,000	1,000,000
Basic and diluted earnings per share	**P0.0230**	P0.0308	P0.0172

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

20. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group's financial assets and liabilities, comprising mainly of cash in banks, receivables, trade payables and other current liabilities, amounts owed to related parties and borrowings, are exposed to a variety of financial risks: liquidity risk, credit risk and market risk (includes foreign currency risk and interest rate risk). Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's financial performance.

Risk management is carried out through the policies approved by the BOD. They identify and evaluate financial risk. The BOD provides principles on overall risk management and on specific areas such as liquidity risk, credit risk and market risk.

Liquidity Risk

Liquidity risk relates to the failure of the Group to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Group's financial liabilities include trade payables and other current liabilities, amounts owed to related parties and borrowings (Notes 11, 12 and 13).

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

December 31, 2016	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	**P41,603**	**P41,603**	**P41,603**	**P -**
Amounts owed to related parties	**95,877**	**95,877**	**95,877**	**-**
Current portion of borrowings	**200,869**	**205,563**	**205,563**	**-**
Noncurrent Liability				
Borrowings, net of current portion	**227,631**	**371,004**	**-**	**371,004**

**Carrying amount excludes payable to government agencies*

December 31, 2015	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	P40,149	P40,149	P40,149	P -
Amounts owed to related parties	95,877	95,877	95,877	-
Current portion of borrowings	200,869	205,786	205,786	-
Noncurrent Liability				
Borrowings, net of current portion	237,978	386,045	-	386,045

**Carrying amount excludes payable to government agencies*

Credit Risk

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

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

The gross maximum exposure of the Group to credit risk as at December 31, 2016 and 2015, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2016**	2015
Cash in banks	5	**P3,692**	P5,554
Receivables	6	**88,517**	61,812
		P92,209	P67,366

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

December 31, 2016

	Gross Amount	**Impairment**	**Net Realizable Value**
Trade receivables:			
Current	**P45,188**	**P -**	**P45,188**
Past due			
More than 365 days	**35,480**	**35,480**	**-**
	80,668	**35,480**	**45,188**
Non-trade receivables:			
Current	**7,849**	**-**	**7,849**
Past due			
More than 365 days	**-**	**-**	**-**
	7,849	**-**	**7,849**
	P88,517	**P35,480**	**P53,037**

December 31, 2015

	Gross Amount	Impairment	Net Realizable Value
Trade receivables:			
Current	P16,257	P -	P16,257
Past due			
More than 365 days	35,480	35,480	-
	51,737	35,480	16,257
Non-trade receivables:			
Current	9,457	-	9,457
Past due			
More than 365 days	618	618	-
	10,075	618	9,457
	P61,812	P36,098	P25,714

The table below shows the credit quality of the Group's financial assets as at December 31, 2016 and 2015:

	Neither Past Due nor Impaired				**Past Due but not Impaired**		
December 31, 2016	**High Grade**	**Medium Grade**	**Low Grade**	**Total**		**Impaired**	**Total**
Cash in banks	**P3,692**	**P -**	**P -**	**P3,692**	**P -**	**P -**	**P3,692**
Receivables	**53,037**	**-**	**-**	**53,037**	**-**	**35,480**	**88,517**
	P56,729	**P -**	**P -**	**P56,729**	**P -**	**P35,480**	**P92,209**

	Neither Past Due nor Impaired				Past Due but not Impaired		
December 31, 2015	High Grade	Medium Grade	Low Grade	Total		Impaired	Total
Cash in banks	P5,554	P -	P -	P5,554	P -	P -	P5,554
Receivables	25,714	-	-	25,714	-	36,098	61,812
	P31,268	P -	P -	P31,268	P -	P36,098	P67,366

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

The Group classifies its unimpaired receivables into the following credit grades:

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

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

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

Market Risk

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

Foreign Currency Risk

The Group is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Group regularly monitors the outstanding balance of its cash in banks that is denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset.

The Group expects that the effects of this foreign currency risk are immaterial to the consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposures to interest rate risk relates primarily to the Group's borrowings.

The Group manages its interest rate risk by limiting its borrowings to long-term loans with fixed interest rates over the term of the loan.

Capital Management

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

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

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

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

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

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

The Group is not subject to externally imposed capitalization requirements.

Fair Value Estimation of Financial Assets and Liabilities

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

AFS Financial Assets. The fair value of quoted AFS financial assets is determined by reference to their quoted bid prices at the reporting date (Level 1). The fair values of unlisted AFS financial assets are based on cost since there is no realizable basis for fair value.

Trade Payables and Other Current Liabilities, Amounts Owed to Related Parties and Current Portion of Borrowings. The carrying amounts of trade payables and other current liabilities, amounts owed to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amounts of the borrowings with annual interest approximate their fair values.

21. Operating Segment

The only reporting subsidiary of STN is SCPC. As such, SCPC is the sole operating company of the Group and is primarily engaged in the manufacturing, processing and selling of all kinds of paper products, paper board and corrugated carton containers, and lease of properties. The other components of the Group, STN and TPC, has ceased operations in 2006 and 2008, respectively. Hence, SCPC represents the only reportable segment of the Group. Operations of SCPC was limited only to leasing of properties in 2016.

Information about Reportable Segments

Information pertaining to the segment revenues and segment operating profit of the Group's business segments in 2016, 2015 and 2014 is shown below:

2016

	Manufacturing, Processing and Selling	**All Other Segments**	**Total**
Revenues:			
Rental income	**P -**	**P60,771**	**P60,771**
Product sales	**-**	**-**	**-**
Total segment revenues	**P -**	**P60,771**	**P60,771**
Total segment operating profit	**P -**	**P43,582**	**P43,582**

2015

	Manufacturing, Processing and Selling	All Other Segments	Total
Revenues:			
Rental income	P -	P60,771	P60,771
Product sales	44,483	-	44,483
Total segment revenues	P44,483	P60,771	P105,254
Total segment operating profit	P129	P44,808	P44,937

2014

	Manufacturing, Processing and Selling	All Other Segments	Total
Revenues:			
Rental income	P -	P29,521	P29,521
Product sales	17,444	-	17,444
Total segment revenues	P17,444	P46,965	P46,965
Total segment operating profit	P109	P26,290	P26,399

The segment assets and liabilities for the years ended December 31, 2016, 2015 and 2014 are as follows:

	Manufacturing, Processing and Selling	**All Other Segment**	**Total**
2016			
Segment assets	**P -**	**P99,451**	**P99,451**
Segment liabilities	**-**	**29,147**	**29,147**
2015			
Segment assets	1,625	84,692	86,317
Segment liabilities	-	28,246	28,246
2014			
Segment assets	2,192	92,749	94,941
Segment liabilities	-	69,584	69,584

The segment capital expenditures and depreciation in 2016, 2015 and 2014 are as follows:

	Manufacturing, Processing and Selling	All Other Segments	Total
2016			
Capital expenditures	P -	P -	P -
Depreciation	-	**14,189**	**14,189**
2015			
Capital expenditures	-	10,706	10,706
Depreciation	-	11,512	11,512
2014			
Capital expenditures	-	46,903	46,903
Depreciation	-	3,231	3,231

Reconciliation of Information on Reportable Segments to PFRS Measures

Total revenues of the business segments pertain to total revenue of the Group in the consolidated statements of comprehensive income.

The reconciliation of total segment operating profit to income before income tax in the consolidated statements of comprehensive income is shown below:

	2016	2015	2014
Total segment operating profit	**P43,582**	P44,937	P26,399
Adjustments for:			
Interest expense	**(4,917)**	-	-
Professional fees, security and outside services	**(1,742)**	(1,750)	(1,701)
Insurance, taxes and licenses	**(999)**	(449)	(237)
Dividend income	**737**	332	191
Salaries, wages and employee benefits	**(688)**	(402)	(336)
Listing fees	**(253)**	(253)	(253)
Other operating expenses	**(198)**	(188)	(229)
Representation and entertainment	**(173)**	(164)	(262)
Gain on sale of available-for-sale securities	**131**	202	-
Rent, utilities and office expenses	**(51)**	(51)	(234)
Transportation and travel	**(33)**	(31)	(130)
Foreign exchange gain	**17**	16	1
Depreciation on computer equipment	**(17)**	(40)	(51)
Interest income	**13**	15	5
Bank charges	**(1)**	-	(1)
Gain on settlement of debt	-	1,007	819
Reversal of long outstanding trade payables and accruals	-	-	361
Loss on sale of asset held-for-sale	-	-	(6,542)
Consolidated income before income tax	**P35,408**	P43,181	P17,800

The reconciliation of total segment assets to total assets in the consolidated statements of financial position is shown below:

			December 31
	2016	2015	2014
Total segment assets	**P99,451**	P86,317	P94,941
Adjustments for:			
Cash in banks	**3,692**	5,554	3,147
Receivables of the Group other than amounts receivable from segment customers	**-**	-	5,415
Prepaid expenses and other current assets	**125,800**	142,397	161,985
Assets held-for-sale	**120,849**	120,849	120,849
Carrying amount of computer equipment	**-**	17	57
Carrying amount of available-for-sale financial assets	**44,285**	20,799	13,346
Other noncurrent assets	**20**	20	20
Consolidated assets	**P394,097**	P375,953	P399,760

The reconciliation of total segment liabilities to total liabilities in the statements of financial position is shown below.

	2016	2015	2014
Total segment liabilities	**P29,147**	P28,246	P69,584
Adjustments for:			
Trade payables and other current liabilities of STN and TPC	**12,654**	12,298	13,377
Amounts owed to related parties	**95,877**	95,877	93,979
Current portion of borrowings	**200,869**	200,869	200,869
Borrowings, net of current portion	**227,631**	237,978	248,325
Consolidated liabilities	**P566,178**	P575,268	P626,134

The reconciliation of other material segment items to PFRS measures is shown below:

	Reportable segment totals	Adjustments	Consolidated total
2016			
Capital expenditures	**P -**	**P -**	**P -**
Depreciation	**14,189**	**17**	**14,206**
2015			
Capital expenditures	10,706	-	10,706
Depreciation	11,512	40	11,552
2014			
Capital expenditures	46,903	-	46,903
Depreciation	3,231	51	3,282

Major Customer

Revenue of the Group's all other segments amounted to P60.771 million, P60.771 million and P29.521 million in 2016, 2015 and 2014, respectively, arising from rent income from an entity under common control.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

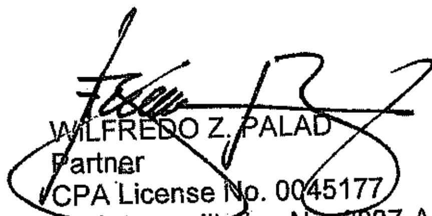
The Board of Directors and Stockholders
Steniel Manufacturing Corporation
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

We have audited in accordance with Philippine Standards on Auditing, the accompanying separate financial statements of Steniel Manufacturing Corporation (the "Company"), as at and for the years ended December 31, 2016 and 2015, and have issued our report dated March 31, 2017.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

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

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-6-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904939MD
Issued January 3, 2017 at Makati City

March 31, 2017
Makati City, Metro Manila

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017 pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

STENIEL MANUFACTURING CORPORATION
Gateway Business Park Brgy. Javalera, General Trias, Cavite

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2016
(Amounts in Thousands)

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning*	**(P1,782,112)**
Net income (loss) actually earned/realized during the period	
Net income (loss) during the period closed to Retained Earnings	**(8,472)**
Total Unappropriated Retained Earnings (Deficit) Available for Dividend Distribution, Ending**	**(P1,790,584)**

**According to Section 5 of SEC Memorandum Circular No. 11 (Series of 2008), a corporation cannot declare dividends when it has zero or negative Retained Earnings (otherwise known as deficit).*
***Pursuant to the Restated and Amended Omnibus Agreement signed by the Company (as borrower) and lenders/creditors in October 2010, the Company is prohibited from declaring dividends to its owners until full payment of all amounts payable, unless consented in writing by the lenders creditors.*

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Steniel Manufacturing Corporation and Subsidiaries (the "Group"), as at and for the years ended December 31, 2016 and 2015, included in this form 17-A, and have issued our report dated March 31, 2017.

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

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

The supplementary information is presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended, and is not a part of the consolidated financial statements and, in our opinion, is fairly stated in all material respects, the consolidated financial statements data required to be set forth therein in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018
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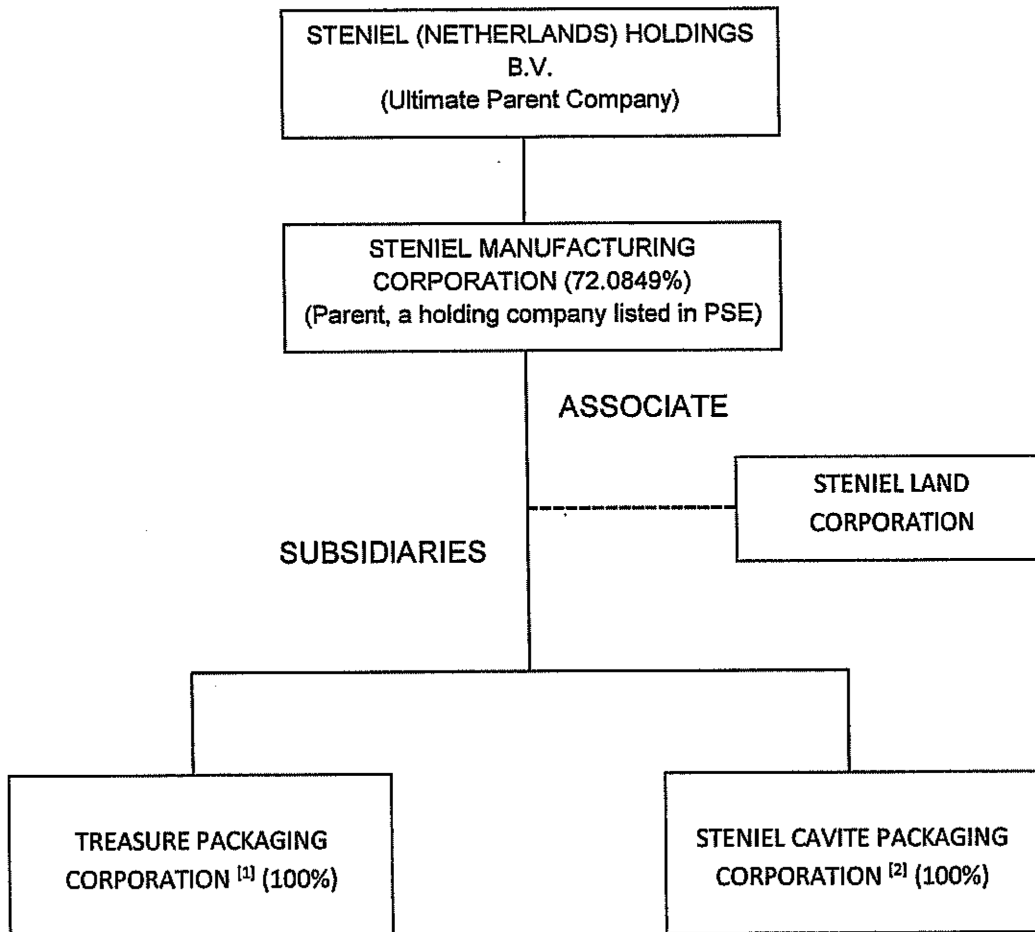
STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES

MAP OF CONGLOMERATE



[1] Ceased operation in 2008

[2] Ceased operation in 2006

STENIEL MANUFACTURING CORPORATION AND SUBSIDIARIES
Gateway Business Park
Brgy. Javalera, General Trias, Cavite

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal		✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments	✓		
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39			✓
PFRS 9 (2014)	Financial Instruments*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception*		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard*		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations			✓
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	✓		
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓

Legend:

***Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

***Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

***Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.*

**These standards or amendments will become effective subsequent to December 31, 2016. The Group will adopt these new and amended standards on the respective dates.*

Schedule A

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Financial Assets
December 31, 2016
(All amounts in Philippine Peso, except number of shares)

Name of Issuing Entity	Number of shares	Amount shown in the statement of financial position	Income received and accrued
Available-For-Sale			
PLDT	26,355	1,076,550	
Fil-Estate	1	540,000	
Metro Drug Distribution		8,333	
Meralco	10,000	2,789,000	
Manila Water Corp	800,000	23,200,000	542,752
Melco Crown Corp	1,604,000	6,063,120	
Metro Pacific Inv	812,500	5,411,250	66,263
Phinma	330,000	3,894,000	106,760
Belle Resources	250,000	800,000	21,375
RCBC	15,000	503,250	
		44,285,503	737,149

Schedule B

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Amounts Receivable from Directors, Officers, Employees, Related Parties
amd Principal Shareholders
(Other than Related Parties)
(All amounts in Philippine Peso)

Name	December 31, 2015	Addtions	Collections	Current	December 31, 2016
		NONE			

Schedule C

Steniel Manufacturing Corporation and Subsidiaries

Amounts Receivable/Payables with Related Parties which are eliminated during the consolidation of financial statements
December 31, 2016
(All amounts in thousand Philippine Peso)

Name and designation of debtor	December 31, 2015	Addition/ (Deduction)	Assignment/ Condonation	Written-off	Current	Non Current	December 31, 2016
Trade receivables							
TPC	197	(197)	-	-	(197)	-	-
	197	(197)	-	-	(197)	-	-
Trade payables							
SCPC	197	(197)	-	-	(197)	-	-
TPC	55,680	-	-	-	-	-	55,680
	55,877	(197)	-	-	(197)	-	55,680
Advances to subsidiaries, at gross							
SCPC	89,684	(15,886)	-	-	(15,886)	-	73,798
TPC		-	-	-	-	-	-
	89,684	(15,886)	-	-	(15,886)	-	73,798
Due from related party							
TPC	56,115	(200)	-	-	-	-	55,915
	201,873	(16,480)	-	-	(16,280)	-	185,393

Schedule D

Steniel Manufacturing Corporation and Subsidiaries

Intangible Assets - Other Assets
December 31, 2016
(All amounts in Philippine Peso)

Description	December 31, 2015	Additions	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	December 31, 2016
			NONE			

Schedule E

Steniel Manufacturing Corporation and Subsidiaries

Long-Term Debts
December 31, 2015 and 2016
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debts" in related statement of financial position	Amount shown under caption "Long-term debts" in related statement of financial position
Loan	428,500,163	200,868,929	227,631,234

Schedule F

Steniel Manufacturing Corporation and Subsidiaries

Indebtedness to Related Parties
(Long-term Loans from Related Companies)
December 31, 2015 and 2016
(All amounts in Philippine Peso)

Name of related party	Balance at the beginning of period	Balance at the end of period
Shareholder/key management personnel	438,847,037	428,500,163

Schedule G

Steniel Manufacturing Corporation and Subsidiaries

Guarantees of Securities of Other Issuer
December 31, 2015 and 2016
(All amounts in Philippine Peso)

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

Schedule H

Steniel Manufacturing Corporation and Subsidiaries

Schedule of Share Capital
December 31, 2015 and 2016
(All amounts in Philippine Peso)

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

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	3	7	3	6

COMPANY NAME

STENIEL MANUFACTURING CORPORATION

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Gateway Business Park
Brgy. Javalera, General Trias
Cavite

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	361-9061	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,669	Any day in May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Eliza Macuray	elizmacuray@yahoo.com	361-9061	09189110919

CONTACT PERSON's ADDRESS

Gateway Business Park Brgy. Javalera, General Trias, Cavite

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STENIEL MANUFACTURING CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2016 and 2015

R.G. Manabat & Co.
The KPMG Center, 9/F
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Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Steniel Manufacturing Corporation ("the Company"), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2016 and 2015, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017
pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the separate financial statements. The Company has temporarily ceased its manufacturing operations and has incurred recurring losses in prior years resulting to a deficit of P1,790.6 million and P1,782.1 million as at December 31, 2016 and 2015, respectively, and a capital deficiency of P375.95 million and P367.48 million as at December 31, 2016 and 2015, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. On October 15, 2010, the Company and the new lenders signed the Amended and Restated Omnibus Agreement (Amended Agreement) to restructure its loans with a new term of 25 years. The management believes that the Company's ability to continue operating as a going concern depends on the fulfillment of the restructuring plan and its ability to generate sufficient cash flows to meet its obligations and the terms and conditions of the restructuring plan, which will contribute to the positive improvement of the operations; and ultimately to attain profitability. As part of management's plan, the Company and its subsidiaries will continue to lease out its idle machinery and equipment to generate income. Also, the Company expects that it will be able to realize through sale by 2017 the remaining asset held-for-sale above the asset's carrying amount as at December 31, 2016 after the issuance of certificates authorizing registration by the Bureau of Internal Revenue. These activities are expected to generate for the Company sufficient cash flows to meet its maturing obligations. There are no known trends, events or uncertainties that will have a material impact on the Company's future operations except those that have already been disclosed in the foregoing. We have conducted sufficient audit procedures to verify the aforementioned plan.

The separate financial statements have been prepared on a going concern basis, which assumes that the Company will continue its business operations for the foreseeable future and do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

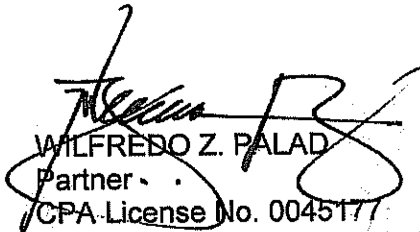
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Wilfredo Z. Palad.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner
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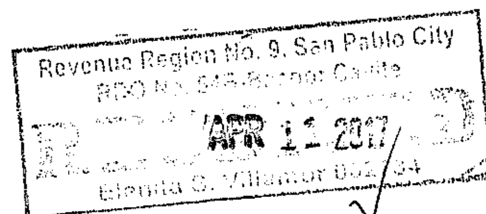
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-6-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904939MD
Issued January 3, 2017 at Makati City

March 31, 2017
Makati City, Metro Manila



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited the accompanying separate financial statements of Steniel Manufacturing Corporation, as at and for the year ended December 31, 2016, on which we have rendered our report thereon dated March 31, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has eight hundred eight (808) stockholders owning one hundred (100) shares or more each.

R.G. MANABAT & CO.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018
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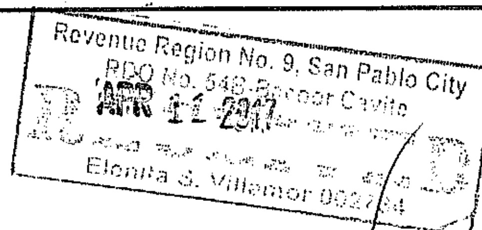
pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash in banks	*5*	**P840**	P1,249
Receivables	*6, 16, 20*	**7,849**	7,832
Due from a related party	*8, 16, 20*	**73,798**	89,684
Prepaid expenses and other current assets - net	*7*	**44,433**	44,768
		126,920	143,533
Asset held-for-sale	*9*	**249**	249
Total Current Assets		**127,169**	143,782
Noncurrent Assets			
Property and equipment - net	*11*	**11,518**	13,463
Available-for-sale financial assets	*12, 20*	**680**	680
Total Noncurrent Assets		**12,198**	14,143
		P139,367	P157,925
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Trade payables and other current liabilities	*13, 20*	**P10,728**	P10,267
Due to related parties	*16, 20*	**76,091**	76,291
Current portion of borrowings	*1, 14, 16, 20*	**200,869**	200,869
Total Current Liabilities		**287,688**	287,427
Noncurrent Liability			
Borrowings, net of current portion	*1, 14, 16, 20*	**227,631**	237,978
Total Liabilities		**515,319**	525,405
Capital Deficiency			
Capital stock	*15*	**1,000,000**	1,000,000
Additional paid-in capital	*15*	**414,632**	414,632
Deficit	*1*	**(1,790,584)**	(1,782,112)
Capital Deficiency		**(375,952)**	(367,480)
		P139,367	P157,925

See Notes to the Separate Financial Statements.



STENIEL MANUFACTURING CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, except basic and diluted earnings/loss per share)

		Years Ended December 31	
	Note	**2016**	2015
OPERATING EXPENSES	*17*	**(P3,575)**	(P3,380)
INTEREST EXPENSE	*14, 16*	**(4,917)**	-
OTHER INCOME - Net	*18*	**20**	8,648
NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)		**(P8,472)**	P5,268
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	*15*	**(P0.00847)**	P0.00527

See Notes to the Separate Financial Statements.

Revenue Region No. 9. San Pablo City
RDO No. 54B-Bacoor Cavite
APR 11 2017
Elenita S. Villamor 02734

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands except par value and authorized, issued and outstanding shares)

		Years Ended December 31	
	Note	**2016**	2015
CAPITAL STOCK - P1 par value Authorized, issued and outstanding - 1,000,000,000 shares	*15*	**P1,000,000**	P1,000,000
ADDITIONAL PAID-IN CAPITAL	*15*	**414,632**	414,632
DEFICIT	*1*		
Balance at beginning of year		**(1,782,112)**	(1,787,380)
Net income (loss)/total comprehensive income (loss)		**(8,472)**	5,268
Balance at end of year		**(1,790,584)**	(1,782,112)
		(P375,952)	(P367,480)

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	Years Ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(P8,472)**	P5,268
Adjustments for:			
Interest expense	*14, 16*	**4,917**	-
Depreciation	*11*	**1,945**	1,968
Interest income	*5, 18*	**(4)**	(3)
Unrealized foreign exchange gains	*18*	**(17)**	(16)
Reversal of provision for impairment loss on amounts due from related parties	*8, 18*	**-**	(8,629)
Operating loss before working capital changes		**(1,631)**	(1,412)
Decrease (increase) in:			
Receivables		**(17)**	(339)
Due from a related party		**15,886**	11,755
Prepaid expenses and other current assets		**335**	310
Increase (decrease) in:			
Trade payable and other current liabilities		**461**	149
Due to related parties		**(200)**	(132)
Net cash generated from operations		**14,834**	10,331
Interest received		**4**	3
Interest paid		**(4,917)**	-
Net cash provided by operating activities		**9,921**	10,334
CASH FLOWS FROM A FINANCING ACTIVITY			
Payment of current portion of borrowings		**(10,347)**	(10,347)
EFFECTS OF FOREIGN EXCHANGE ON CASH IN BANKS	*18*	**17**	16
NET INCREASE (DECREASE) IN CASH IN BANKS		**(409)**	3
CASH IN BANKS AT BEGINNING OF YEAR	*5*	**1,249**	1,246
CASH IN BANKS AT END OF YEAR	*5*	**P840**	P1,249

See Notes to the Separate Financial Statements.

STENIEL MANUFACTURING CORPORATION

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(Amounts in Thousands unless otherwise indicated)

1. Reporting Entity

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

On September 11, 2013, the SEC approved the Amended Articles of Incorporation of the Parent Company, extending the corporate life for another 50 years from September 13, 2013.

Following a decision made by the Board of Directors (BOD) in 1996 to reorganize the Company and its subsidiaries (the "Group"), the Company ceased manufacturing operations in June 1997 due to continuing business losses. As a result, reorganization of the Group was carried out and completed with the Company's principal activity now limited to holding of investments. In addition, the remaining idle assets of the Company were leased out to a related party.

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

Consequent to the restructuring of the loan in 2010, remaining unissued capital stock of the Company totaling 123,818,000 shares were issued to Roxburgh Investment Limited (Roxburgh) to reduce the Company's outstanding debts (Note 14). The issuance of shares resulted to recognition of additional paid-in capital. As a result, Roxburgh owns 12.3818% of the Company, while the ownership of SNHBV as well as the public have been reduced to 72.0849% and 15.5333%, respectively.

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

On January 25, 2012, the Company received a tender offer report from SNHBV to purchase the 279,151,088 shares of minority investing public or 27.92% of the total issued shares at a price of P0.0012 per share or an aggregate price of P335.0 million. On February 25, 2012, only a total of 2,115,692 common shares were tendered in the Tender Offer and accepted by SNHBV, constituting 0.0021% of the total outstanding capital stock of the Company. On March 8, 2012, payment for the Tendered Shares was delivered to the relevant broker participants on behalf of interested parties and there was a transfer to SNHBV of only 0.76% of the minority shares. Such accepted tender offer did not significantly change the percentage ownership of the minority investing public.

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

Debt Restructuring

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

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

- The outstanding principal and accrued interest expense as at September 30, 2010 is restructured for 25 years.

- Conditional waiver of penalty and other charges upon the faithful performance by the Company of the terms of restructuring.

- The outstanding principal and accrued interest expense as of September 30, 2010 shall be reduced via dacion en pago or sale of the following properties: (a) all of the outstanding common and preferred shares of stock in the Company's land-holding entity, Steniel Land Corporation (SLC), (b) identified idle assets of STN and its subsidiaries, and (c) by way of conversion into equity through the issuance of the Company's unissued capital stock.

- The outstanding principal amount after the dacion en pago shall be paid in 92 consecutive quarterly installments starting in January 2013.

- The outstanding portion of the accrued interest after equity conversion shall be paid in 40 consecutive quarterly installments starting after year 15 from the date restructuring.

- Restructured outstanding principal will be subject to interest of 6% per annum for 15 years and 8% per annum on the 16th year onwards.

- The restructured accrued interest expense prior to loan restructuring will be subject to interest 8% per annum.

- The restructured loan shall be secured by the assets/collateral pool under the Collateral Trust Agreement.

- All taxes and fees, including documentary stamp taxes and registration fees, shall be for the account of the Group.

- All other costs and expenses of restructuring including documentation costs, legal fees and out-of-pocket expenses shall be of the account of Group; and

- Other conditions include:

  a. Lenders representative to be elected as director in STN and in each of its subsidiaries.

  b. A merger, reorganization or dissolution of certain subsidiaries in line with the Business Plan.

  c. No dividend declaration or payments until the restructured obligations are fully paid.

  d. No new borrowing, unless with consent of the lenders.

  e. No repayment or prepayment of any debt or obligation (other than operational expenses), unless with consent of the lenders.

  f. Creditor's consent for change in material ownership in the Group and mortgagors.

  g. Standard covenants, representations and warranties.

Dacion en Pago and Equity Conversion

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

The dacion en pago relating to the Group's shares in SLC and a subsidiary's land and land improvements and building and building improvements has a total value of P290.0 million. In 2012, certain certificates authorizing registration were issued and reduced the total value from P290.0 million to P289.88 million. The remaining assignment of shares is still for finalization with buyers to meet the regulatory requirements on transfer of assets as at reporting date and this is expected to be completed in 2017. The change in ownership and management in early 2012 generally caused the delay in the implementation of the dacion en pago.

Restructuring of Subsidiaries

In 2011, following the provisions in the Amended Agreement, the Company filed a merger application with the SEC to absorb Treasure Packaging Corporation (TPC). On August 12, 2013, following management's assessment, the Board of STN and TPC approved the withdrawal of the merger application filed with SEC as the same no longer appears feasible. Management has been instructed to explore other options, i.e., merger of or with other subsidiaries.

In addition, Steniel Cavite Packaging Corporation (SCPC), a subsidiary, also submitted a merger application with SEC in October 2011 to absorb three (3) dormant subsidiaries: (a) Metroplas Packaging Products Corporation (MPPC), (b) Metro Paper and Packaging Products, Inc. (MPPPI) and (c) Steniel Carton System Corporation (SCSC) using June 30, 2011 financial statements. On March 2, 2012, the SEC approved the certificate of filing of the articles and plan of merger, which documents were received by the Company on July 31, 2012. All financial information presented for the periods prior to the merger has been restated to reflect the combined financial statements of the absorbed corporation as though the merger had occurred at the beginning of 2010.

The Company also had a 39.71% direct and indirect (through SCPC & TPC) interest in SLC. In 2010, all of the ownership interest of TPC and STN were assigned to Greenkraft (Note 9), and the remaining interest of SCPC in SLC is 29.21%. As at December 31, 2016 and 2015, Greenkraft now holds 20.44% interest in SLC, while the remaining interest of SCPC is 79.56%.

In 2016, the merger between SCPC and TPC (the former as the surviving entity) was approved by the Board of Directors and Shareholders of the respective entities. As at March 31, 2017, both companies have yet to submit the Plan of Merger, Articles of Merger and all necessary documents to SEC.

Interest Payments

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

In 2013, due to continuous working capital drain experienced by the Group as a result of difficult economic and business conditions, the Company requested reconsideration to defer the implementation of the loan agreement from the creditors which was acted favorably. The Company was granted another two (2) years extension of principal repayment, reduction of interest rate from 6% to 2% for the first five (5) years and further waive interest charges until January 1, 2016.

Status of Operations

The separate financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company is currently in a dormant status and has suffered recurring losses. Such losses resulted to a deficit of P1,790.6 million and P1,782.1 million as at December 31, 2016 and 2015, respectively and a capital deficiency of P375.95 million and P367.48 million as at December 31, 2016 and 2015, respectively. This is mainly brought about by the continuing losses incurred due to temporary cessation of operations of certain subsidiaries and from selling its only operating subsidiary in 2013 which resulted to a loss of P107.66 million (Note 10).

With all the above matters, management believes that the Company's ability to continue operating as a going concern depends on the fulfillment of the restructuring plan and its ability to generate sufficient cash flows to meet its obligations and terms and conditions of the restructuring plan, which will contribute to the positive improvement of the operations; and ultimately to attain profitability. As part of management's plan, the Group will continue to lease out its idle machinery and equipment to generate income. The Group also expects that it will be able to realize in 2017 the remaining asset held-for-sale through sale at a price above the asset's carrying amount as at December 31, 2016. These activities are expected to generate for the Group sufficient cash flows to meet its maturing obligations. There are no known trends, events or uncertainties that will have a material impact on the Group's future operations except those that have already been disclosed in the foregoing.

2. Basis of Preparation

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

Basis of Measurement
The separate financial statements of the Company have been prepared on a historical cost basis of accounting.

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

The separate financial statements as at and for the year ended December 31, 2016 were approved and authorized for issuance by the BOD on March 31, 2017.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of the amendments to standards did not have any significant impact on the Company's separate financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets).* The amendments to *PAS 38* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to *PAS 16* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27, Separate Financial Statements).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

- *Annual Improvements to PFRS 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards. The following are the said improvements or amendments to PFRS, none of which has a significant effect on the separate financial statements of the Company:

  - *Changes in method for disposal (Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations).* PFRS 5 is amended to clarify that:

    - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

    - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

    Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

  - *'Continuing Involvement' for Servicing Contracts (Amendment to PFRS 7, Financial Instruments: Disclosures).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement.'

  - *Offsetting Disclosures in Condensed Interim Financial Statements (Amendment to PFRS 7).* PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34, Interim Financial Reporting* require their inclusion.

- *Disclosure of Information "elsewhere in the Interim Financial Report' (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2017

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company is assessing the potential impact on its separate financial statements resulting from the application of PFRS 9.

<u>Financial Instruments</u>
Date of Recognition. The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

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

As at December 31, 2016 and 2015, the Company has no financial assets and liabilities at FVPL and HTM investments.

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

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

The Company's cash in banks, receivables and due from a related party are included in this category.

Cash in banks is stated at face value.

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

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from reporting date.

The Company's investments in shares of stock in golf and country club memberships and publicly-listed utility companies are included in this category.

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

The Company's trade payables and other current liabilities and due to related parties are included on this category.

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

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

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

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

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

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

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

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

With respect to receivables, the Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectable receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly.

If impairment is fully evident, the Company then decides to write-off such to the extent of the carrying value of the receivable. This is, however, subject to the approval of the BOD. Impairment is said to be fully evident to a particular account with the cited reasons: (a) the counterparty declares bankruptcy; (b) the accounts remain uncollectible after exhausting all efforts; or (c) the account has been outstanding for at least two years.

AFS Financial Assets. For equity instruments carried at fair value, the Company assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. In evaluating whether the period of decline in the fair value of equity instruments is prolonged, the period of decline is the entire period for which the fair value has been below cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

A financial instrument is an equity instrument only if: (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

Prepaid Expenses and Other Current Assets

This account comprises prepaid taxes and prepaid items such as creditable withholding taxes and input taxes. Prepayments are expenses paid in advance and recorded as assets before they are utilized. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets; otherwise these are classified as other noncurrent assets.

Creditable withholding tax pertains to the amount withheld by suppliers which can be applied against income tax due. It is carried at face value less allowance for unrecoverable tax credits. The Company maintains an allowance for the amount which can no longer be claimed or applied against income tax due.

Property and Equipment

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

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

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

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

	Number of Years
Machinery and equipment	3 - 10
Computer equipment	3 - 5

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

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

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

Asset Held-for-Sale

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

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

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

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

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

Investments in Subsidiaries

The Company's investments in shares of stock of subsidiaries are accounted for under the cost method as provided for under PAS 27. The investments are carried in the separate statements of financial position at cost less any impairment in value. The Company recognizes dividend from a subsidiaries and associate in profit or loss when its right to receive the dividend is established.

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control or joint control over those policies.

Impairment of Nonfinancial Assets

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

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

Retirement Benefits

Republic Act (RA) 7641 "Philippine Retirement Law" requires a company to pay a minimum retirement benefits to employees who retire after reaching the mandatory age of 65 years old or optional retirement age of 60 years old with at least five (5) years of service to the Company.

Management determined that the present value of the obligation arising from RA 7641 is not material to the separate financial statements.

Capital Stock
Capital stock consists of common shares and is classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
Additional paid-in capital represents the excess of consideration received over the par value of capital stock.

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

Revenue and Expense Recognition
The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest and Other Income
Interest income on bank deposits, net of withholding tax, and other income are recorded when earned.

Expenses
Expenses in profit or loss are presented using function of expense method. Expenses are recognized when incurred. Interest expense on the borrowings is calculated using effective interest method by applying effective interest rate.

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

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

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

Recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences, unused tax credits and unused tax losses can be applied.

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

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

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

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

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

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" in the separate statements of financial position.

Basic and Diluted Earnings Per Share (EPS)

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

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

Foreign Currency Transactions

Transactions in foreign currencies are recorded in Philippine peso at exchange rates prevailing at the transaction dates. Monetary assets and monetary liabilities in foreign currencies are translated at exchange rates prevailing at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Provisions
Provisions are recognized when the Company has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 pre-tax rate that reflects current market assessment 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. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as an asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

4. Management's Use of Judgments, Estimates and Assumption

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

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

Judgments

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

Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair value of the Company's financial instruments are disclosed in Note 20.

Going Concern

Management prepares the Company's separate financial statements on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. Management plans to continue the Company as a going concern is discussed in Note 1.

Estimates and Assumptions

The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. Actual results could differ from such estimates:

Estimation of Allowance for Impairment Losses of Receivables and Due from a Related Party

Provision for impairment of receivables and due from a related party is based on the Company's assessment of the collectability of payments from its trade customers, related and third parties. This assessment requires judgment regarding the ability of each of the customers to pay the amounts owed to the Company including those arising from related parties that are part of the Restructuring Plan as discussed in Note 1. Any change in the Company's assessment of the collectability of receivable could significantly impact the calculation of such provision and results of operations.

No allowance for impairment losses on receivables was recognized as at December 31, 2016 and 2015 (Note 6).

No allowance for impairment losses on amounts due from a related party was recognized as at December 31, 2016 and 2015 (Note 8).

Impairment of AFS Financial Assets
The Company follows the guidance of PAS 39 in determining when an AFS investment is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook of the investee, including factors such as industry sector performance, and operational and financing cash flow.

No allowance for impairment losses on AFS financial assets was recognized as at December 31, 2016 and 2015, respectively. The carrying amount of AFS financial assets amounted to P0.68 million as at December 31, 2016 and 2015 (Note 12).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological and environmental changes and anticipated use of the assets. It is possible that future results of operations could materially be affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation expense and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment in 2016 and 2015.

Determination of Impairment of Nonfinancial Assets
The Company assesses impairment of non-financial assets such as asset held-for-sale and property and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the strategy for overall business; and

- Significant negative industry or economic trends.

No impairment loss on property and equipment was recognized in 2016 and 2015. As at December 31, 2016 and 2015, the carrying amounts of property and equipment amounted to P11.518 million and P13.463 million, respectively (Note 11).

No impairment loss on asset held-for-sale was recognized in 2016 and 2015. As at December 31, 2016 and 2015, the carrying amount of asset held-for-sale amounted to P0.249 million (Note 12).

The cost of investments in subsidiaries have been fully provided with allowance for impairment losses following the cessation of the subsidiaries' operations (Note 10).

Estimation of Allowance for Unrecoverable Tax Credits
The Company maintains an allowance for the portion of taxes withheld by suppliers which can no longer be claimed or applied against income tax due.

Allowance for unrecoverable tax credits amounted to P2.209 million as at December 31, 2016 and 2015 (Note 7).

Realizability of Deferred Tax Assets
The Company reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference is based on the projected taxable income in the following periods. The management considered it probable that future taxable profits would be available against which such losses can be used.

Deferred tax assets have not been recognized as at December 31, 2016 and 2015 because management believes that it is not probable that future taxable profit will be available against which the deferred tax assets may be utilized (Note 19).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provisions were recognized by the Company in 2016 and 2015.

5. Cash in Banks

Cash in banks earn annual interest at the respective bank deposit rates. Interest income from cash in banks amounted to P4 thousand and P3 thousand in 2016 and 2015, respectively (Note 18).

6. Receivables

This account consists of:

	Note	**2016**	2015
Others	*16, 20*	**P7,849**	P7,832

Other receivables pertain to reimbursements of costs incurred on behalf of entity under common control.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2016	2015
Advances to suppliers	**P1,843**	P2,282
Allowance for impairment loss	**(1,843)**	(1,843)
	-	439
Creditable withholding taxes (CWT)	**44,421**	44,421
Allowance for unrecoverable tax credits	**(2,209)**	(2,209)
	42,212	42,212
Input value-added taxes	**2,221**	2,117
	P44,433	P44,768

As at December 31, 2016 and 2015, CWT amounting to P2.209 million were impaired and fully provided with allowance for impairment. All impaired balances of CWT refer to tax certificates considered to be "out-of-period" for tax purposes and therefore cannot be utilized for future income tax obligations. The remaining balance of P42.212 million are not considered to be impaired as these relate to excess tax payments which have no prescription period and the balances are being carried forward annually in the tax returns.

8. Due from a Related Party

Movements and balances of this account are as follows:

	Note	**2016**	2015
Balance at beginning of year		**P89,684**	P101,439
Additional advances		**14**	-
Settlement		**(15,900)**	(11,755)
	16, 20	**73,798**	89,684
Impairment loss:			
Balance at beginning of year		-	8,629
Reversal of provision for impairment	*18*	-	(8,629)
		-	-
Balance at end of year	*16, 20*	**P73,798**	P89,684

Amounts due from a related party represents advances to SCPC which are denominated in Philippine peso, over 360 days and considered past due and demandable.

It was assessed that the remaining balance of advances amounting to P73.798 million and P89.684 million as at December 31, 2016 and 2015, respectively, are not impaired and are expected to be recovered through the realization of the dacion en pago of the investment in shares of stocks of SCPC in SLC based on the assessed floor price as part of the debt restructuring plans of management with its major creditors (Note 1).

9. Asset Held-for-Sale

Investment in associate (SLC) represents 249,500 common shares and 4,920 voting preferred shares with a par value of P1 per share and P10 per share, respectively. The Company's percentage of interest in SLC is based on its direct 10.22% equity plus the 29.49% equity in SLC held by its two (2) wholly-owned subsidiaries. All the shares are covered by the dacion en pago in compliance with the approved loan restructuring (Note 1). This arrangement materialized in 2010 and the amount was reclassified from investment in associate to asset held-for-sale.

The ownership of the Company in SLC is measured at lower of the carrying amount and fair value less cost to sell. In 2012, the preferred shares held by the Company in SLC amounting to P49.0 thousand were transferred to Greenkraft in relation to dacion en pago (Note 1) and reduced the loan for the same amount.

As at December 31, 2012, the carrying amount of the shares was also reduced to P249 thousand after issuance of the certificate authorizing registration related to the Company's preferred shares in SLC based on par value.

10. Investment in Subsidiaries

As at December 31, 2016 and 2015, this account consists of:

Entity	% of Ownership	Acquisition Cost	Impairment Loss	Total
Steniel Cavite Packaging Corporation (SCPC)	**100%**	**P1,698,000**	**(P1,698,000)**	**P -**
Treasure Packaging Corporation (TPC)	**100%**	**50,000**	**(50,000)**	**-**
		P1,748,000	**(P1,748,000)**	**P -**

SCPC, TPC and SMPC
In 2006, the business operations of SCPC gradually slowed down. The temporary cessation of plant operations was approved by SCPC's Board of Directors on March 27, 2007 in view of the continued losses incurred since its incorporation in addition to difficult economic and business conditions. Its operations are now limited to leasing its existing assets to a related party.

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

The related investment cost for SCPC and TPC have been fully provided with allowance for impairment losses following the cessation of operations.

On December 27, 2013, the Board of Directors of the Company approved the sale of its 99.99% ownership or 9,249,995 common shares in SMPC to the following entities and individuals:

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

The Company sold its outstanding common shares for a total consideration of P20.0 million which resulted to a loss of P107.66 million and further increased the deficit.

On August 16 and 17, 2016, various CARs and Tax Clearances were issued by the Bureau of Internal Revenue (BIR) in relation to the transfer of the above common shares in SMPC from the Company to the entities and individuals.

11. Property and Equipment

The movements and balances of this account are as follows:

	Machinery and Equipment	Computer Equipment	Total
Cost			
December 31, 2016 and 2015	**P19,279**	**P577**	**P19,856**
Accumulated Depreciation			
January 1, 2015	3,905	520	4,425
Depreciation	1,928	40	1,968
December 31, 2015	5,833	560	6,393
Depreciation	1,928	17	1,945
December 31, 2016	**7,761**	**577**	**8,338**
Carrying Values			
December 31, 2015	P13,446	P17	P13,463
December 31, 2016	**P11,518**	**P -**	**P11,518**

Certain fully-depreciated property and equipment are still being used by the Company for administrative purposes.

12. Available-for-Sale Financial Assets

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

These investments were measured at fair value based on quoted prices as at December 31, 2016 and 2015.

13. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2016	2015
Trade payables		**P8,298**	P8,298
Non-trade payables		**1,259**	847
		10,270	9,848
Accrued expenses		**289**	276
Payable to government agencies		**169**	143
	20	**P10,728**	P10,267

Trade payables mainly pertain to liability for acquisition of carton boxes and printed promotional materials. These are non-interest bearing and are generally with 60 to 90-day term.

Non-trade payables pertain to advances from employees and other employee benefits payable. These are non-interest bearing and are payable on demand.

Accrued expenses pertain to accrued professional fees, security and other services.

14. Borrowings

This account consists of:

	Note	2016	2015
Current portion:			
Greenkraft Corporation		**P193,360**	P193,360
Roxburgh Investment Limited		**7,509**	7,509
		200,869	200,869
Net of current portion:			
Greenkraft Corporation		**54,926**	65,273
Roxburgh Investment Limited		**172,705**	172,705
		227,631	237,978
	1, 16, 20	**P428,500**	P438,847

The above secured loans were originally obtained from lending banks under the Omnibus Agreement's revolving working capital facility subject to annual interest rates prior to assignment of the loan to third parties in 2006. The said creditors/lenders are now considered related parties of the Company following the dacion en pago arrangements in 2010 and re-assessment of related party relationships during the year (Notes 1 and 16).

The property and equipment of the Company and its subsidiaries and present and future receivables of its subsidiaries are used as collateral in accordance with the Amended Agreement. In 2012, the total fair value of assets pledged as security, which includes investment in an associate, land and land improvements and building and building improvements, declined from P290 million to P289.88 million (Note 1). In 2014, the land and land improvements and building and building improvements of a subsidiary (SCPC) were transferred to the creditors/lenders.

Furthermore, the Amended Agreement provides for certain affirmative and negative covenants subject for compliance by the Company and its subsidiaries and payment terms as discussed in Note 1 which is due after completion of dacion en pago that is expected to be completed in 2017. Upon approval of the Amended Agreement, the above creditors are aware of the Company's non-compliance with covenant due to the Company's financial condition and such will not be a ground to default from the Amended Agreement.

As discussed in Note 1, the accrued interest amounting to P294.6 million which was capitalized as part of the loan principal in 2010 in accordance with the Amended Agreement, was condoned by its major creditors in 2011. In addition, the accrued interest in 2010 amounting to P13.1 million was also reversed in 2011 in relation to the 2-year grace period provided by its creditors. These were all offset against advances to SCPC (Notes 8 and 16) as the proceeds of the original loan were loaned by the Company to the subsidiary, subject to the same interest rates.

In 2012, TPC and SCPC's investment in shares of stock with SLC amounting to P0.64 million was assigned to Greenkraft as part of the dacion en pago arrangements (Note 1) resulting to a reduction of the borrowing balance.

In 2013, the creditors/lenders granted the Company two (2) years extension of principal repayment, reduction of interest rate from 6% p.a. to 2% p.a. for the first five (5) years and further waive interest charges until January 1, 2016. Interest expense amounted to P4.917 million in 2016 (Note 16).

15. Capital Deficiency

Capital Stock

This account consists of:

	No. of Shares	Par Value Per Share	Amount in Thousand
Authorized	1,000,000,000	1	P1,000,000
Issued and outstanding	1,000,000,000	1	1,000,000

Additional Paid-in Capital

The Company's loans were restructured in October 2010 and the 123,818,000 unissued shares amounting to P123.82 million were issued to a creditor to settle portion of the loan amounting to P247.63 million. The excess of the amount settled over the amount of issued shares (P123.81 million) was recognized as part of additional paid-in capital (Note 1).

Earnings Per Share

The Company has no dilutive equity instruments. Basic earnings per common share in centavos for the years ended December 31 is calculated as follows:

	2016	2015
Income (loss) for the year available to common shares	**(P8,472)**	P5,268
Divided by weighted average number of common shares, in thousand	**1,000,000**	1,000,000
Basic earnings (loss) per share	**(P0.00847)**	P0.00527

16. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In the normal course of business, the Company has transactions and balances with its related parties, summarized as follows:

Category	Year	Note	Amount of Transaction	Receivables	Borrowings	Due from a Related Parties	Due to Related Parties	Terms	Conditions
Subsidiary									
▪ Advances	**2016**	*8, 16a*	**P14**	**P -**	**P -**	**P73,798**	**P -**	Receivable on demand;	Unsecured;
	2015	*8, 16a*	-	-	-	89,684	-	non-interest bearing	no impairment
Entities under Common Control									
▪ Reimbursements	**2016**	*6, 16b*	-	**7,849**	-	-	-	Receivable on demand;	Unsecured;
	2015	*6, 16b*	-	7,832	-	-	-	non-interest bearing	no impairment
▪ Advances	**2016**	*16a*	-	-	-	-	**76,091**	Payable on demand;	Unsecured
	2015	*16a*	-	-	-	-	76,291	non-interest bearing	
▪ Borrowings	**2016**	*14*	-	-	**428,500**	-	-	Payable in 25 years in	Secured by various
	2015	*14*	-	-	438,847	-	-	equal quarterly installments; Interest-bearing at 2% p.a. on the first five years, 6% p.a. on the 6th until the 15th year, and 8% p.a. on the 16th year onwards until maturity	current and noncurrent assets of the Group
▪ Interest expense on borrowings	**2016**	*14*	**4,917**	-	-	-	-	Payable quarterly for 25 years	Unsecured
TOTAL	**2016**			**P7,849**	**P428,500**	**P73,798**	**P76,091**		
TOTAL	2015			P7,832	P438,847	P89,684	P76,291		

a. Due from/to related parties consist mainly of non-interest bearing advances for working capital requirements with no definite repayment dates. These are expected to be recovered through realization of the dacion en pago of the investment in shares of stocks of SCPC in SLC.

b. Reimbursement of various expenses were paid in advance by the Company and charged to the related party. These are expected to be settled in cash.

c. There is no key management compensation as the Group's finance and administrative functions are being handled by a related party without any charge.

17. Operating Expenses

This account consists of:

	Note	**2016**	2015
Depreciation	*11*	**P1,945**	P1,968
Salaries, wages and employee benefits		**688**	402
Professional fees		**528**	511
Listing fees		**253**	253
Office and computer supplies		**40**	40
Transportation and travel		**23**	21
Taxes and licenses		**15**	11
Miscellaneous		**83**	174
		P3,575	P3,380

18. Other Income (Expenses)

This account consists of:

	Note	**2016**	2015
Unrealized foreign exchange gain		**P17**	P16
Interest income	*5*	**4**	3
Bank charges		**(1)**	-
Reversal of provision for impairment loss on amounts due from related parties	*8*	**-**	8,629
		P20	P8,648

19. Income Taxes

As at December 31, 2016 and 2015, deferred tax assets have not been recognized in respect of the following items as management believes that it is not probable that sufficient taxable profit will be available against which all deferred tax assets may be utilized.

	2016	2015
Provision for impairment of investment in or advances to subsidiaries and associates	**P1,748,000**	P1,748,000
Net operating loss carry over (NOLCO)	**16,308**	7,837
Allowance for unrecoverable tax credits	**2,209**	2,209
Allowance for impairment losses on advances to suppliers	**1,843**	1,843
	P1,768,360	P1,759,889

As at December 31, 2016, the Company has available NOLCO which can be claimed as deduction against future taxable income as follows:

Year	Amount	Applied	Expired	Balance	Date of Expiry
2016	P8,471			P8,471	December 31, 2019
2015	3,364	-	-	3,364	December 31, 2018
2014	4,473	-	-	4,473	December 31, 2017
	P16,308	P -	P -	P16,308	

The reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate to actual income tax expense shown in profit or loss is shown below:

	2016	2015
Income (loss) before income tax	**(P8,472)**	P5,268
Income tax expense (benefit) at statutory tax rate of 30%	**(P2,542)**	P1,580
Adjustments to income tax resulting from:		
Non-deductible interest expense	**1**	-
Non-deductible tax penalties	**1**	-
Interest income subjected to final tax	**(1)**	(1)
Movement in unrecognized deferred tax asset	**2,541**	(2,588)
NOLCO	**-**	1,009
	P -	P -

20. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's financial assets and liabilities, comprising mainly of receivables, trade payables and other current liabilities, borrowings and amounts due from/to related parties, are exposed to a variety of financial risks: liquidity risk, market risk (include price risk and cash flow interest rate risk) and credit risk. Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Company's financial performance.

Risk management is carried out through the policies approved by the BOD of the Company. They identify and evaluate financial risk. The BOD provides principles on overall risk management and on specific areas such as liquidity risk, market risk and credit risk.

Liquidity Risk

Liquidity risk relates to the failure of the Company to discharge its obligations and commitments. The tight cash position limits its obligation to take advantage of increasing demands. The Company's financial liabilities include trade payables and other current liabilities, amounts due to related parties and current and noncurrent portions of borrowings (Notes 13, 14 and 16).

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

December 31, 2016	**Carrying Amount**	**Contractual Cash Flow**	**Less than 1 Year**	**More than 1 Year**
Current Liabilities				
Trade payables and other current liabilities*	**P10,559**	**P10,559**	**P10,559**	**P -**
Due to related parties	**76,091**	**76,091**	**76,091**	**-**
Current portion of borrowings	**200,869**	**205,563**	**205,563**	**-**
Noncurrent Liability				
Borrowings, net of current portion	**227,631**	**371,004**	**-**	**371,004**

**Carrying amount excludes payable to government*

December 31, 2015	Carrying Amount	Contractual Cash Flow	Less than 1 Year	More than 1 Year
Current Liabilities				
Trade payables and other current liabilities*	P10,124	P10,124	P10,124	P -
Due to related parties	76,291	76,291	76,291	-
Current portion of borrowings	200,869	205,786	205,786	-
Noncurrent Liability				
Borrowings, net of current portion	237,978	386,045	-	386,045

**Carrying amount excludes payable to government*

Owing to the existence of conditions which cast material uncertainty on the Company's ability to continue as a going concern in the near future, as discussed in Note 1, the Company is considerably exposed to the risk of not being able to raise on a timely basis sufficient funds to meet its loan and other commitments. The Company regularly monitors its cash position, continuously negotiates with creditors for new credit terms and depends on the financial support from its operating subsidiary and shareholders to meet its obligation as they fall due.

The remaining assets subject to dacion en pago under the provisions of the Amended Agreement pertain to investment in common and preferred shares of SLC with fair value of P190.0 million with reference to the municipality zonal value of land owned by SLC. Upon completion of this transaction, the balance of borrowings will be significantly reduced. The land and land improvements and building and building improvements of SCPC subject to dacion en pago were transferred to the lenders in 2014 (Note 14).

The details of updated forecasted liquidity reserve for the next 9 years based on the restructured loan and provisions of the Amended Agreement are as follows:

	2016 to 2024
Opening balance for the period	P15,049
Operating cash flows	431,000
Cash inflows (outflows) for investment	(77,000)
Cash outflows from financing	(247,320)
	P121,729

The amounts exclude cash inflows from investments.

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

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposures to interest rate risk relates primarily to the Company's borrowings.

The Company manages its interest rate risk by limiting its borrowings to long-term loans with fixed interest rates over the term of the loan.

Foreign Currency Risk
The Company is exposed to foreign currency risk on its cash in banks that is denominated in US Dollars. The Company regularly monitors the outstanding balance of its cash in banks that is denominated in US Dollars and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to this foreign currency denominated asset.

The Company expects that the effects of this foreign currency risk are immaterial to the separate financial statements.

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

Credit risk is managed on a Group basis at the STN level. Credit risk arises from deposits with banks, receivables and due from a related party. Cash transactions are limited to high-credit-quality financial institutions. For the Company's banks and financial institutions requirements, decisions are made at the group level that considers and leverages on Company's needs and cost. Cash in banks are maintained with universal and commercial banks which represent the largest single group, resource-wise, of financial institutions in the Philippines.

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

	Note	2016	2015
Cash in banks	5	**P840**	P1,249
Receivables	6	**7,849**	7,832
Due from a related party	8	**73,798**	89,684
		P82,487	P98,765

The table below shows the credit quality of the Group's financial assets as at December 31, 2016 and 2015:

	Neither Past Due nor Impaired				Past Due		
December 31, 2016	**High Grade**	**Medium Grade**	**Low Grade**	**Total**	**but not Impaired**	**Impaired**	**Total**
Cash in banks	**P840**	**P -**	**P -**	**P840**	**P -**	**P -**	**P840**
Receivables	**7,849**	**-**	**-**	**7,849**	**-**	**-**	**7,849**
Due from a related party	**73,798**	**-**	**-**	**73,798**	**-**	**-**	**73,798**
	P82,487	**P -**	**P -**	**P82,487**	**P -**	**P -**	**P82,487**

	Neither Past Due nor Impaired				Past Due		
December 31, 2015	High Grade	Medium Grade	Low Grade	Total	but not Impaired	Impaired	Total
Cash in banks	P1,249	P -	P -	P1,249	P -	P -	P1,249
Receivables	7,832	-	-	7,832	-	-	7,832
Due from a related party	89,684	-	-	89,684	-	-	89,684
	P98,765	P -	P -	P98,765	P -	P -	P98,765

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

The Company classifies its unimpaired receivables into the following credit grades:

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

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

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

Capital Management

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

Cash flow from the activities of the Company's operating subsidiary is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value or shareholders from the Company's operations. Total capital comprises the total equity as shown in the separate statements of financial position. The Company being a listed entity is covered by the PSE requirement of 10% minimum public ownership. The Company is under suspended trading status in Philippine Stock Exchange in 2006 pursuant to the PSE's Implementing Guidelines for Companies under Corporate Rehabilitation when the Company notified the PSE in a disclosure that the stockholders have approved entering into rehabilitation proceedings (Note 1).

The Company is not subject to externally imposed capitalization requirements.

Fair Value Estimation of Financial Assets and Liabilities

Cash in Banks, Receivables and Due from a Related Party. The carrying amounts of cash in banks, receivables and due from a related party approximate fair values due to the relatively short-term maturities of these financial instruments.

AFS Financial Assets. The fair value of quoted AFS financial assets is determined by reference to their quoted bid prices at the reporting date (Level 1). The Company assessed that the movement in the fair value of these assets is immaterial.

Trade Payables and Other Current Liabilities, Due to Related Parties and Current Portion of Borrowings. The carrying amounts of trade payables and other current liabilities, due to related parties and current portion of borrowings approximate fair value due to the relatively short-term maturities of these financial instruments.

Borrowings, Net of Current Portion. Borrowings, net of current portion are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as of reporting date. The carrying amounts of the borrowings with annual interest approximate their fair values.

21. Supplementary Information Required by the BIR

In addition to the disclosures mandated under PFRS and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following is the tax information required based on Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2016 (amounts rounded off to the nearest peso):

A. Value Added Tax (VAT)

1. Input VAT	
Beginning of the year	**P2,116,767**
Current year's domestic purchases:	
a. Services lodged under other accounts	**105,096**
Balance at the end of the year	**P2,221,863**

B. Withholding Taxes

Expanded withholding taxes	**P119,500**
Tax on compensation and benefits	**40,507**
	P160,007

C. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P15,132**

D. Tax Cases

As of December 31, 2016, the Company has no pending tax court cases nor has received tax assessment notices from BIR.