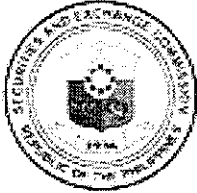




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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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Company Information

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Industry Classification
Company Type Stock Corporation

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COVER SHEET

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S.E.C Registration Number

M A B U H A Y V I N Y L C O R P O R A T I O N

(Company's Full Name)

3 / F P H I L A M L I F E S A L C E D O C E N T E R
1 2 6 L . P . L E V I S T E S T . S A L C E D O
V I L L A G E , M A K A T I C I T Y

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

Attys. Ma. Melva E. Valdez /
Myla Gloria A. Amboy

Contact Person

8178971/
815 9071 to 78
Company Telephone Number

1 2
Month

3 1
Day

SEC FORM 17-Q

FORM TYPE

April 24
Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SEC Number : 216
File Number : ____

MABUHAY VINYL CORPORATION

3rd Floor, Philamlife Salcedo Center, 126 L. P. Leviste St.
Salcedo Village, Makati City

817-8971 to 76
(Telephone Numbers)

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(Fax Numbers)

01 July to Septemer 30
(Calendar Quarter Ending)

2014 Quarterly Report (SEC Form 17-Q)
(Form Type)

For The Quarter Ended September 30, 2014
(Period Ended Date)

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-Q

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

1. For the quarterly period ended **September 30, 2014**

2. Commission Identification Number **216**

3. BIR Tax Identification Number **000-164-009-000**

4. Exact name of issuer as specified in its charter **MABUHAY VINYL CORPORATION**

5. Province or country of incorporation **Philippines**

6. Industry Classification Code (for SEC use only) _____

7. Address of issuer's principal office **3rd Floor, Philamlife Salcedo Building
126 L.P. Leviste St., Salcedo Village
Makati City**

8. Issuer's telephone Number **(632) 817-8971 to 76**

9. Former name, former address and former fiscal year **N/A**

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

<i>Title of Each Class:</i>	<i>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding:</i>
Common Shares	661,309,398 shares as of September 30, 2014

11. Are any or all of the securities listed in the Philippine Stock Exchange?

Yes (/) No ()

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports).

Yes (/) No ()

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

Yes () No (/)

PART 1 - FINANCIAL INFORMATION

ITEM 1- FINANCIAL STATEMENTS

1. Balance Sheet

COMPARATIVE BALANCE SHEET (In P000)
As of September 30, 2014 and 2013
(Note: Dec. 31, 2013 and Dec. 31, 2012 are based on audited figures)

	Current YEAR			Prior YEAR (as restated)		
	30-Sep 2014	31-Dec 2013	Diff	30-Sep 2013	31-Dec 2012	Diff
Current Assets						
Cash and cash equivalents	257,168	116,373	140,795	75,201	78,146	(2,945)
Accounts receivable - net	348,531	357,016	(8,485)	329,229	445,724	(116,495)
Inventory - Finished goods	111,944	139,098	(27,154)	175,953	183,051	(7,098)
- Work in process	8,307	4,118	4,189	8,806	8,738	68
- Raw materials and supplies	46,552	61,922	(15,370)	80,287	78,546	1,741
Other current assets	54,928	63,297	(8,369)	86,969	92,953	(5,984)
Total Current Assets	827,430	741,824	85,606	756,445	887,158	(130,713)
Noncurrent Assets						
Available for sale financial assets	6,470	6,415	55	6,201	6,774	(573)
Property, plant and equipment - net	460,125	511,329	(51,204)	529,111	570,300	(41,189)
Land at appraised value	189,584	189,584	-	190,134	189,584	550
Investment properties	39,587	39,587	-	38,822	26,093	12,729
Other noncurrent assets	11,865	12,871	(1,006)	11,175	12,173	(998)
Total Noncurrent Assets	707,631	759,786	(52,155)	775,443	804,924	(29,481)
TOTAL ASSETS	1,535,061	1,501,610	33,451	1,531,888	1,692,082	(160,194)

Balance Sheet (continued)

COMPARATIVE BALANCE SHEET (In P000)
 As of September 30, 2014 and 2013
 (Note: Dec. 31, 2013 and Dec. 31, 2012 are based on audited figures)

	Current YEAR			Prior YEAR (as restated)		
	30-Sep 2014	31-Dec 2013	Diff	30-Sep 2013	31-Dec 2012	Diff
Current Liabilities						
Short-term loans	-	-	-	-	10,000	(10,000)
Trust receipts payable	-	13,141	(13,141)	64,210	153,433	(89,223)
Accounts payable and accrued expenses	98,396	77,887	20,509	82,056	141,531	(59,475)
Current portion of long-term debt	-	-	-	-	15,625	(15,625)
Income tax payable	9,547	-	9,547	2,763	-	2,763
Total Current Liabilities	107,943	91,028	16,915	149,029	320,589	(171,560)
Noncurrent Liabilities						
Customers deposit	20,219	20,148	71	20,116	20,010	106
Retirement benefits payable	31,656	32,870	(1,214)	18,033	17,646	387
Deferred tax liability	4,097	4,097	-	8,655	8,605	50
Asset retirement obligation	1,150	1,150	-	1,029	1,029	-
Total Noncurrent Liabilities	57,122	58,265	(1,143)	47,833	47,290	543
Stockholders' Equity						
Common stock	661,309	661,309	-	661,309	661,309	-
Additional paid-in capital	176,594	176,594	-	176,594	176,594	-
Appraisal capital	151,347	151,347	-	151,347	151,347	-
Reserve for fluctuation in AFS Financial Asset	390	335	55	121	694	(573)
Remeasurement gains (losses) on retirement benefits	(8,617)	(8,617)	-	2,726	2,726	-
Retained earnings	379,000	361,666	17,334	333,402	322,479	10,923
Noncontrolling interest	9,973	9,683	290	9,527	9,054	473
Total Stockholders' Equity	1,369,996	1,352,317	17,679	1,335,026	1,324,203	10,823
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,535,061	1,501,610	33,451	1,531,888	1,692,082	(160,194)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (In P000)

For the Nine Months Ended September 30, 2014 and 2013

(Note: Dec. 31, 2013 and Dec. 31, 2012 are based on audited figures)

	Capital Stock	Capital Paid In Excess Par	Revaluation Increment	Reserve AFS-FA	Remeasurement G/L on retirement	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
JANUARY TO SEPTEMBER 2014								
Balances, December 31, 2013	661,309	176,594	151,347	335	(8,617)	361,666	9,683	1,352,317
Net Income, January to September 2014	-	-	-	-	-	50,400	290	50,690
Other comprehensive income	-	-	-	55	-	-	-	55
Dividends declared	-	-	-	-	-	(33,066)	-	(33,066)
Retirement of treasury shares	-	-	-	-	-	-	-	-
Prior's years adjustment	-	-	-	-	-	-	-	-
Balances, September 30, 2014	661,309	176,594	151,347	390	(8,617)	379,000	9,973	1,369,996

	Capital Stock	Capital Paid In Excess Par	Revaluation Increment	Reserve AFS-FA	Remeasurement G/L on retirement	Retained Earnings	Noncontrolling Interest	Total Stockholders' Equity
JANUARY TO SEPTEMBER 2013 (as restated)								
Balances, December 31, 2012 as previously stated	661,309	176,594	151,347	694	-	325,322	9,054	1,324,320
Impact of adoption of revised PAS 19	-	-	-	-	2,726	(2,843)	-	(117)
Balances, Dec 31, 2012 as restated	661,309	176,594	151,347	694	2,726	322,479	9,054	1,324,203
Net Income, January to September 2013	-	-	-	-	-	43,989	473	44,462
Other comprehensive income	-	-	-	(573)	-	-	-	(573)
Dividends declared	-	-	-	-	-	(33,066)	-	(33,066)
Retirement of treasury shares	-	-	-	-	-	-	-	-
Prior's years adjustment	-	-	-	-	-	-	-	-
Balances, September 30, 2013	661,309	176,594	151,347	121	2,726	333,402	9,527	1,335,026

3. Profit and Loss Statement

COMPARATIVE PROFIT AND LOSS STATEMENT (In P000) For the Third Quarter and Nine Months Ended September 30, 2014 and 2013

	3rd Quarter			YTD - January to September		
	2014	2013	Dif.	2014	2013	Dif.
NET SALES	386,047	325,879	63,168	1,057,469	1,046,378	11,091
Less: Cost Of Sales	271,971	238,435	33,538	748,156	754,771	(6,615)
GROSS PROFIT	117,076	87,446	29,630	309,313	291,607	17,706
Less: Administrative Expenses	14,981	14,236	745	47,788	45,168	2,620
Selling Expenses	2,053	1,663	390	5,721	5,059	662
Distribution Expenses	71,279	59,525	11,754	196,997	184,978	12,019
Total Operating Expenses	88,313	75,424	12,889	250,506	235,205	15,301
NET OPERATING INCOME	28,763	12,022	16,741	58,807	56,402	2,405
Add: Interest and Other Income	3,414	2,897	517	13,422	6,419	7,003
Less: Interest Expense and Other Expenses	171	1,113	(942)	581	2,436	(1,855)
NET INCOME BEFORE TAX	32,006	13,806	18,200	71,648	60,385	11,263
Less: Provision For Income Tax	9,602	2,709	6,893	20,958	15,923	5,035
Income From Continuing Operations*	22,404	11,097	11,307	50,690	44,462	6,228
Income attributable to noncontrolling interest	118	38	80	290	473	(183)
Income attributable to equity holders of the Company	22,286	11,059	11,227	50,400	43,989	6,411
RETAINED EARNINGS						
Beginning balance	356,714	325,186	31,528	361,666	325,322	36,344
Prior year adjustment	-	-	-	-	-	-
Impact of adoption of revised PAS 19	-	(2,843)	2,843	-	(2,843)	2,843
Excess of cost over par value of treasury shares retired	-	-	-	-	-	-
Less: Cash Dividend	-	-	-	(33,066)	(33,066)	-
RETAINED EARNINGS - Ending	379,000	333,402	45,598	379,000	333,402	45,598

	3rd Quarter			3rd Quarter		
	2014	2013	Dif.	2013	2012	Dif.
a. Earnings per share						
(Net income(loss) / 661,309,398 outstanding shares) - 2014	0.0339	0.0168	0.0171			
(Net income(loss) / 661,309,398 outstanding shares) - 2013				0.0168	0.0252	0.0069
b. Dividends declared per share	-	-	-	-	-	-

4. Statement of Cash Flows

MABUHAY VINYL CORPORATION
COMPARATIVE CASHFLOW STATEMENT (In P000)
For the Quarter ending September 30, 2014 and 2013

	Jan-Sep 2014	Jan-Sep 2013	Diff
Cash Flows From Operating Activities:			
Net Income - from continuing operations	50,690	44,462	6,228
Adjustments for: Depreciation & amortization	72,646	100,320	(27,674)
Loss on retirement of asset	-	58	(58)
(Increase) Decrease In:			
Accounts receivable	8,485	116,495	(108,010)
Finished goods	27,154	7,098	20,056
Work in process	(4,189)	(68)	(4,121)
Raw materials and supplies	15,370	(1,741)	17,111
Other current assets	8,369	5,984	2,385
Increase (Decrease) In:			
Accounts payable and accrued expenses	30,056	(56,712)	86,768
Short term loans and Trust receipts payable	(13,141)	(99,223)	86,082
Customers' deposit payable	71	106	(35)
Retirement benefits payable	(1,214)	437	(1,651)
Payment of taxes	-	-	-
Net Cash Generated From Operations	194,297	117,216	77,081
Cash Flows From Investing Activities:			
Acquisition of investment property	-	(12,729)	12,729
Acquisition of property, plant and equipment	(21,442)	(59,996)	38,554
Proceeds from sale of equipment	-	807	(807)
Additional capitalizable cost of land	-	(550)	550
Decrease (Increase) in other assets	1,006	998	8
Net Cash Used In Investing Activities	(20,436)	(71,470)	51,034

Statement of Cash Flows (continued)

	Jan-Sep 2014	Jan-Sep 2013	Diff
Cash Flows From Financing Activities:			
Availment of short term loans	-	-	-
Payment of cash dividend	(33,066)	(33,066)	-
Acquisition of Treasury Shares	-	-	-
Settlement of current portion of long term debt	-	(15,625)	15,625
Net Cash Used In Financing Activities	(33,066)	(48,691)	2,372
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	140,795	(2,945)	143,740
ADD: CASH AND CASH EQUIVALENT	116,373	78,146	38,227
CASH AND CASH EQUIVALENT - ENDING	257,168	75,201	181,967

5. Disclosure Of Events Subsequent To Fiscal Year December 31, 2013 (January 1, 2014 to September 30, 2014)

29-Jan-14	Setting of the date of Annual Stockholders' Meeting and Record Date for Stockholders Entitled to Notice of and to Vote at said Meeting
27-Feb-14	Approval of the Y2013 Audited Financial Statements
5-Mar-14	Details of the Annual Stockholders' Meeting
14-Mar-14	Appointment of SyCip Gorres Velayo & Co. as the Corporation's External Auditor for Y2014 Amendment of Article Third of the Corporation's Articles of Incorporation to Indicate the Specific Address of the Corporation's Principal Office
24-Apr-14 (AGM)	Appointment of External Auditor Election of Directors Ratification of Y2013 Annual Report and Audited Financial Statements Amendment of Third Article of the Articles of Incorporation
24-Apr-14	Declaration of Cash Dividend
22-May-14	Election of Officers/Committee Members for Y2014-Y2015
24-Jul-14	Resignation of Mr. Kiyofumi Fukuda as Director; Election of Mr. Naoki Tominaga as replacement Amendment of the Corporation's Manual on Corporate Governance Governance
14-Jul-14	Resignation of Mr. Kiyofumi Fukuda as Director

6. Disclosure Of Compliance With Philippine Financial Reporting Standards

The interim financial statement was prepared in accordance with Philippine Financial Reporting Standards (PFRS), particularly the pronouncements of recognized bodies such as the Philippine Stock and Exchange Commission, Accounting Standards Council, and International Standards Committee.

7. Notes To The Interim Financial Statements

- a. The same accounting policies and methods of computation are followed as with the annual financial statements as of December 31, 2013.
- b. The interim operation is under normal business condition and is unaffected by any seasonal or cyclical nature.
- c. Unusual items in the financial statements (as of September 30, 2014):

Accounts receivable - net	- P349M represents claim from customers for products sold with credit terms of 30 to 90 days. Included in the account are non-trade receivable of P2,210M.
Property, Plant & Equipment - net	- P460M consists of buildings, machinery and equipment, transportation equipment, leasehold improvements, office furniture and equipment, and construction in progress.
Accounts payable and Accrued exp.	- P98M includes liabilities due to various suppliers and expenses accrued during the period.
- d. There are no changes in estimates of amounts reported in the prior interim period or prior financial year that have a material effect in the current interim period.
- e. There is no segment revenue and segment result to be reported. The Company is primarily engaged in its continuing core business operations of manufacturing and selling chemicals.
- f. There is no contingency or event that is material and affecting the current interim period.

- g. The financial instruments of the Company as of September 30, 2014 are limited to loans and receivables which includes cash in banks, trade and other receivables, and security and rental deposits, available for sale financial assets consisting of quoted and unquoted equity instruments, and other liabilities comprised of trade and other payables, and customer deposits.

The quoted equity instruments represent investments in preferred redeemable non-convertible non-voting shares and golf shares. Unquoted equity instruments is comprised of 10% of the authorized capital stock of Tosoh Polyvin Corporation. It is the intention of the Company to hold on to these until they are redeemed.

Available - for - sale Financial Assets

	September 30 2014	December 31 2013	Diff.
Quoted equity instruments:			
Capital Stock	1.179	1.154	0.025
Golf Shares	0.290	0.260	0.030
Unquoted equity instruments:	5.001	5.001	-
Total	6.470	6.415	0.055

- h. Additional Notes to the Consolidated Financial Statements is hereto attached as "ANNEX B".

Financial Risk:

1. Interest Rate Risk

The Company has minimal interest rate risk. All its outstanding loans have maturity of less than 180 days bearing interest rates that are projected to remain stable until its maturity.

The Company has no outstanding loans as of September 30, 2014.

2. Foreign Currency Risks

Exposure of the Company to foreign currency risk arises from importation of finished goods, raw materials and spare parts. Its purchases are subject to an open account with foreign suppliers and are settled immediately (within 30 days). The Group manages this exposure by matching its receipts and payments for each individual currency.

3. Credit Risk

The Company has the policy to require customers, who wish to trade on credit terms, to comply and undergo the credit verification process. This process emphasizes on the customer's capacity, character and willingness to pay.

Receivables are also closely monitored to ensure that changes in credit quality is recognized and exposure to bad debts is minimized.

The Company transacts only with legitimate and duly accredited customers.

4. Liquidity Risk

The Company maintains a balance between continuity of funding and flexibility using bank loans and purchase contracts. Short term loans which mature within one year are availed of for operating needs when necessary while loans through trust receipts mature within 180 days.

5. The Company has no investment in foreign securities.

6. Risk in the Valuation of Assets or Liabilities

The assets of the Company are valued using historical cost convention but real properties notably land and improvements therein are stated at appraised value. Appraisal by an independent appraiser is done regularly at 2-year intervals and the financial statements of the Company are updated using this appraisal.

Trade receivables are also stated at cost. However, based on the age of receivables, allowance for bad debts are provided.

Allowance for obsolescence is also provided for inventories consisting of finished goods, work-in-process, raw materials, supplies and other materials.

Long Term Liabilities such as loans are covered by mortgage participation certificates which in turn is backed by a mortgage trust indenture.

7. The criteria used in determining whether the market for a financial instrument is active or inactive are the prices available from regular market transactions. In the absence of available market transactions, the item is carried at cost.

ITEM II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

KEY PERFORMANCE INDICATORS

		Sep. 30 2014	Jun. 30 2014	Mar. 31 2014
A. Liquidity				
1. Quick ratio -	capacity to cover its short-term obligations using only its more liquid assets. [(cash + cash equiv. + A/R) / current liabilities]	5.61:1	5.53:1	5.61:1
	- Forecasted ratio	2.46:1	2.67:1	2.71:1
	Remarks: The quick ratio for the period is higher than forecast due to high level of available cash for operations and lower outstanding liabilities to suppliers.			
2. Current ratio -	capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	7.67:1	8.97:1	9.40:1
	- Forecasted ratio	4.41:1	4.18:1	5.32:1
	Remarks: The quick ratio for the period is higher than forecast due to high level of available cash for operations and lower outstanding liabilities to suppliers.			
B. Profitability				
3. Net profit margin -	ability to generate surplus for stockholders. (net income / sales)	5%	4%	5%
	- Forecasted ratio	4%	4%	8%
	Remarks: Forecasted net profit margin was achieved.			

KEY PERFORMANCE INDICATORS (continued...)

		Sep. 30 2014	Jun. 30 2014	Mar. 31 2014
4. Return on equity -	ability to generate returns on investment of stockholders.			
	(net income / stockholders equity)	4%	2%	1%
	- Forecasted ratio	4%	2%	1%
Remarks: Forecasted return on equity was achieved during the period.				
C. Leverage				
5. Debt to total asset ratio -	the proportion of total assets financed by creditors			
	(total debt / total assets)	0.11:1	0.10:1	0.09:1
	- Forecasted ratio	0.13:1	0.13:1	0.11:1
Remarks: Debt to total asset ratio is lower than forecast due to lower outstanding liabilities to suppliers.				
6. Debt to equity ratio -	an indicator of which group has the greater representation in the assets of the Company			
	(long-term debt / equity)	0.00:1	0.00:1	0.00:1
	- Forecasted ratio	0.00:1	0.00:1	0.00:1
Remarks: There is no exposure to long term debt.				

L.A - MATERIAL CHANGES IN FINANCIAL CONDITION

From January 1, 2014 to September 30, 2014	From January 1, 2013 to September 30, 2013	From January 1, 2012 to September 30, 2012
<p>a. Money market securities increased by P101.41M The Company has invested excess cash from collection in short term money market securities.</p>	<p>a. Money market securities (nil) no change</p>	<p>a. Money market securities (nil) no change</p>
<p>b. Accounts Receivable decreased by P8.49M due to sustained collection drive.</p>	<p>b. Accounts Receivable decreased by P116.50M due to intensive collection drive.</p>	<p>b. Accounts Receivable decreased by P19.11M Reduction on the Accounts Receivables is due to increased collections of trade receivables.</p>
<p>c. Finished goods decreased by P27.15M due to normal depletion of goods for sale.</p>	<p>c. Finished goods decreased by P7.10M due to normal depletion of goods for sale.</p>	<p>c. Finished goods increased by P64.38M Increase in the balance of finished goods is attributable to the acquisition of imported caustic soda.</p>
<p>d. Raw materials decreased by P15.37M due to normal depletion of raw materials and supplies used for production.</p>	<p>d. Raw materials increased by P1.74M due to industrial salt received in June net of the materials and supplies used for production.</p>	<p>d. Raw materials decreased by P22.88M The decrease is due to the normal depletion of raw materials and supplies to produce caustic soda and its co-products.</p>
<p>e. Other current assets decreased P8.37M due to the application of excess input tax against output tax and utilization of prepaid income tax against the first and second quarters' tax liabilities.</p>	<p>e. Other current assets decreased P5.98M due to the application of input VAT against output VAT and application of prepaid income tax against the first and second quarters' tax liabilities.</p>	<p>e. Other current assets increased P23.07M The increase was due to various input tax on importation of goods.</p>

From January 1, 2014 to September 30, 2014	From January 1, 2013 to September 30, 2013	From January 1, 2012 to September 30, 2012
f. Property, plant and equipment decreased by P51.20M due mainly to depreciation net of acquisitions of various machineries, equipments and construction in progress	f. Property, plant and equipment decreased by P41.19M due mainly to depreciation net of acquisitions and disposal of various machinery and equipment.	f. Property, plant and equipment decreased by P47.89M The decrease was mainly because of the depreciation of PPE.
g. Investment properties No change.	g. Investment properties increased by 12.73M representing additional capitalized cost relating to a previous acquisition.	g. Investment properties increased by 8.84 Increase on the value of the investment property pertain to payment of final withholding tax on the transfer of property and other incidental costs.
h. Accounts payable and accrual increased by P20.51M due to accrual of various distribution expenses.	h. Accounts payable and accrual decreased by P59.48M due to settlement of various liabilities arising from purchase of goods and importations, funding of which was derived from collection of receivables.	h. Accounts payable and accrual increased by P17.27M Increase was due to accrual of various of expenses.
i. Trust receipts payable decreased by P13.14M due to the settlement of maturing liabilities, funding of which was derived from collection of receivables.	i. Trust receipts payable decreased by P89.22M due to the settlement of maturing liabilities, funding of which was derived from collection of receivables.	i. Trust receipts payable increased by P105.951M Trust receipts payable increased due to availment of trust receipts to cover importations of finished goods.
j. Short term loans (nil) No change.	j. Short term loans decreased by P10M due to the settlement of maturing short term loans.	j. Short term loans decreased by P90.77M Decrease is due to the settlement of maturing short term loans.
k. Current portion of long term (nil) No change.	k. Current portion of long term debt decreased by P15.63M representing payment of last principal amortization	k. Current portion of long term debt decreased by P31.25M Decrease in the current portion of long term debt is due to the settlement of the maturing portion of the debt.

<i>From January 1, 2014 to September 30, 2014</i>	<i>From January 1, 2013 to September 30, 2013</i>	<i>From January 1, 2012 to September 30, 2012</i>
i. Long term loan (nil) No change.	i. Long term loan (nil) No change.	i. Long term loan reduced by by P15.63M Decrease in the long term loan is due to payment of principal amortization.

1.B - CHANGES IN OPERATING RESULTS

<i>3rd Quarter 2014 vs. 3rd Quarter 2013</i>	<i>3rd Quarter 2013 vs. 3rd Quarter 2012</i>	<i>3rd Quarter 2012 vs. 3rd Quarter 2011</i>
a. Net Sales is higher by P63.168M due to higher volume sales of caustic soda, chlorine and sodium hypo.	a. Net Sales decreased by P111.10M due to lower selling prices and lower volumes for all products.	a. Net Sales increased by P80.90M Increase net sales during the period is due to the higher volume sales as well as higher unit selling price of caustic soda.
b. Cost of sales higher by P33.54M due to higher sales volume.	b. Cost of sales decreased by P95.05M due to lower cost of production and importation compared to the prior year as well as decrease in the sales volume.	b. Cost of sales increased by P68.83M Increase in the cost of sales is mainly due to higher sales quantity, higher cost of imported caustic soda and higher production costs this year compared to the previous year.

3rd Quarter 2014 vs. 3rd Quarter 2013	3rd Quarter 2013 vs. 3rd Quarter 2012	3rd Quarter 2012 vs. 3rd Quarter 2011
<p>c. Operating expense increased by P12.89M due to the higher volume of products sold.</p>	<p>c. Operating expense decreased by P6.91M due to lower delivery cost incurred resulting from lower volume sales.</p>	<p>c. Operating expense increased by P12.32M Increase is mainly due to higher distribution cost due to the increase in the sales volume.</p>
<p>d. Interest and other income increased by P0.52M due to increase in income from spent caustic treatment services and interest income from short term money market placements.</p>	<p>d. Interest and other income increased by P1.06M due to increase on income from spent caustic treatment services.</p>	<p>d. Interest and other income decreased by P16.93M Interest and other income in the prior year includes income from collection of previously written off receivables resulting to a higher interest and other income in the prior period.</p>
<p>e. Net income increased by P11.31M due to better margins brought about the lower production and importation costs as well as higher volume sold and higher income from spent caustic treatment services.</p>	<p>e. Net income decreased by P5.54M due to lower selling prices and lower volumes for all products.</p>	<p>e. Net income decreased by P11.91M Decrease in the net income is mainly due to higher income in the prior period resulting from the collection of receivable previously written off.</p>

2 - DISCUSSION AND ANALYSIS OF MATERIAL EVENTS / UNCERTAINTIES WITH IMPACT ON FUTURE OPERATIONS

a. Impact On Issuer's Liquidity

The Ion-Exchange Membrane plants 1 and 2 are expected to sustain the cost competitiveness of the Company in the face of increased volume of importation of Finished goods.

- b. There is no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- c. There is no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. The approved capex for the year amounts to P38 Million. It will be used generally for the improvement of Distribution and Manufacturing facilities.

e. Impact On Net Sales/Income

Net sales in 2014 was initially projected at P1.542 Billion.

f. There were no significant elements of income or loss that did not arise from continuing operations.

g. Causes For Material Changes In Line Items Of Financial Statements

(Please refer to pages 11 to 14.)

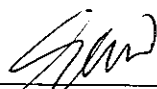
h. The financial condition or results of operations of the Company is not affected by any seasonal change.

PART II - OTHER INFORMATION

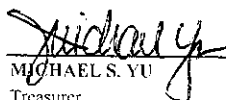
1. Disclosure not made under SEC Form 17-C

None.

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



EDWIN L. UMALI
President and COO
30-Oct-14



MICHAEL S. YU
Treasurer
30-Oct-14

Aging of Accounts Receivable
As of September 30, 2014

1) Aging of Accounts Receivable (In Million Pesos)						
Type of Accounts Receivable	Total	Current	Over 30days	Over 60days	Over 90days	Past Due In Litigation
a) Trade Receivables	365.738	192.049	123.735	13.885	36.069	
Less: Allow. for Doubtful Accounts	19.415					
Net Trade Receivable	346.323					
b) Non - Trade Receivables						
1) Administrative	1.126					
2) Advances to suppliers and others receivables	1.082					
Subtotal	2.208					
Less: Allow. for Doubtful Accounts	-					
Net Non-trade Receivable	2.208					
c) Accrued interest receivable	-					
Net Receivables (a + b + c)	348.531					
2) Accounts Receivable Description						
Type of Accounts Receivable	Nature / Description					Collection Period
a) Trade Receivables						
1) Luzon	Sale of products					30 - 90 days
2) Visayas	Sale of products					30 - 90 days
3) Mindanao	Sale of products					30 - 90 days
b) Non - Trade Receivables	Advances to suppliers, receivable from truckers and other receivables					30 - 60 days

MABUHAY VINYL CORPORATION AND SUBSIDIARY
SELECTED NOTES TO UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS (ANNEX B)

For the Third Quarter and Nine Months Ended September 30, 2014

(Amounts in Thousands, Except Per Share Data)

1. Corporate Information

Mabuhay Vinyl Corporation (the Company) and its subsidiary, MVC Properties Inc. (MPI), collectively referred to as the "Group", were incorporated in the Philippines on July 20, 1934 and November 26, 2008, respectively. The Company's primary purpose is to engage in the business of manufacturing and distributing basic and intermediate chemicals with a wide range of household and industrial applications, including caustic soda, hydrochloric acid, liquid chlorine and sodium hypochlorite (chlor-alkali). MPI's principal activity is to lease its parcels of land to the Company.

As of September 30, 2014 and December 31, 2013, the Company is 45.92% owned by Tosoh Corporation (Tosoh) and Mitsubishi Corporation (Mitsubishi), foreign corporations while 35.47% is owned by Banco De Oro Unibank, Inc. (BDO), a domestic corporation. The remaining equity is held by various stockholders.

The Company operates manufacturing plants in Assumption Heights, Buru-un, Iligan City and Laguna Technopark, Biñan, Laguna. The Group's main office address is 3rd Floor, Philamlife Salcedo Building, 126 L. P. Leviste Street, Salcedo Village, Makati City.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim consolidated financial statements of the Group have been prepared using the historical cost convention, except for land which is carried at revalued amount and available-for-sale (AFS) financial assets which are carried at fair value.

The interim consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. Amounts are rounded to the nearest thousand Pesos, unless otherwise indicated.

Statement of Compliance

The interim consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The interim consolidated financial statements comprise the financial statements of the Company and its subsidiary, MPI, a 40%-owned entity over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- Any contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Recognizes the Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company has directly disposed of the related assets or liabilities.

Noncontrolling Interest

Noncontrolling interest represents the portion (60%) of income and expense and net assets in MPI not held by the Company and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separate from the equity attributable to the equity holders of the Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, amendments and improvements to existing standards effective beginning January 1, 2014.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements* and PAS 27, *Separate Financial Statements: Investment Entities*, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that these amendments will be relevant to the Group since the Company and MPI do not qualify as an investment entity under PFRS 10.
- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments will affect presentation only and will have no impact on the Group’s financial position or performance.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*, remove the unintended consequence of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is applied.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

Future Changes in Accounting Policies

The following standards, new Philippine interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments and improvements to existing standards will become effective subsequent to December 31, 2014 and have not been early adopted by the Group. Except as otherwise indicated, the Group does not expect the adoption of the applicable new and amended standards and Philippine interpretations to have a significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if

they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments will not have any significant impact on the financial statements of the Group as its retirement plan is noncontributory.

- *Annual Improvements to PFRS (2010 to 2012 cycle)* contain non-urgent but necessary amendments to the following standards:
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it currently has no share-based payments.
 - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.
 - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will not have an impact on the Group's financial position or performance.
 - PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
 - PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- Amendments to PAS 24, *Related Party Disclosures - Key Management Personnel*, clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.
- PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. These amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- *Annual Improvements to PFRS (2011 to 2013 cycle)* contain non-urgent but necessary amendments to the following standards:
 - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.
 - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
 - PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
 - PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of

PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

New Standard with No Mandatory Effective Date

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

Fair Value Measurement

The Group measures financial instruments, such as AFS financial assets, and certain nonfinancial assets, such as land under revaluation model, at fair value at each balance sheet date.

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 the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Financial Assets and Financial Liabilities

The Group recognizes a financial asset or financial liability in the consolidated balance sheet when it becomes a party to the contractual provision of the instrument.

Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments or AFS financial assets, as appropriate. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The Group determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, reevaluates this designation at each financial year-end.

Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs, if any, are included in the initial measurement of financial assets and financial liabilities, except for financial instruments measured at FVPL.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

As of September 30, 2014 and December 31, 2013, the Group's financial instruments consist of loans and receivables, AFS financial assets and other financial liabilities.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a "Day 1" difference) in the consolidated statement of income. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short-term or that it has designated as an AFS financial asset. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

The Group has classified its cash and cash equivalents, trade and other receivables and security and rental deposits included under "Other noncurrent assets" as loans and receivables as of September 30, 2014 and December 31, 2013.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as part of other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income.

The Group has classified its investments in shares of stock and golf shares as AFS investments as of September 30, 2014 and December 31, 2013.

Other financial liabilities

Other financial liabilities are liabilities that are neither held-for-trading nor designated at FVPL upon the inception of the liability. These are initially recognized at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization for any related premium, discount and any directly attributable transaction cost.

Gains and losses are recognized in the consolidated statement of income when these other financial liabilities are derecognized, as well as through the amortization process.

Other financial liabilities include trade and other payables and customers' deposit.

Derivative Financial Instruments

Freestanding derivatives

Derivative financial instruments are recognized and measured at fair value. The method of recognizing the resulting gain or loss depends on whether or not the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment.

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. These derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of income.

The fair value of forward currency contracts is calculated by reference to the counterparty's current forward exchange rates as of the date of the consolidated financial statements.

The Group has no outstanding freestanding derivatives as of September 30, 2014 and December 31, 2013.

Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Embedded derivatives that are bifurcated from the host contract are accounted for as financial asset at FVPL. Changes in the fair values are included in the consolidated statement of income.

The Group makes a reassessment on the review of embedded derivatives only if there is a change to the contract that significantly modifies the cash flows. The Group has no embedded derivatives as of September 30, 2014 and December 31, 2013.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

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

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

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. The Group reviews the age and status of the financial assets and evaluates on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior, and other known market factors. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the 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 that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Objective evidence of impairment include, but are not limited to, bankruptcy or insolvency on the part of the customer and adverse changes in the economy. The Group provides an allowance when it is probable that the financial asset will not be collected in the future. The amount of loss is recognized in the consolidated statement of income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost

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

AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of comprehensive income - is removed from equity and recognized in consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized as part of other comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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 balance sheet.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less from dates of acquisition, and are subject to an insignificant risk of changes in value.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value for finished goods, merchandise, work-in-process and raw materials is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value for materials and supplies is the replacement cost. In determining the net realizable value, the Group considers any adjustment necessary for obsolescence.

Other Current Assets

Input tax

Input tax represents value added tax (VAT) paid to suppliers that can be claimed as credit against the Group's VAT liabilities. Input tax is recognized as part of "Other current assets" until applied against the output tax.

Prepayments

Prepaid expenses are amounts paid in advance for goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within its normal operating cycle or within 12 months from the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment, except for land that is carried at revalued amount, are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation specifically for property and equipment installed/constructed on the leased properties. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Land is stated at revalued amount based on the fair market value of the property as determined by an independent firm of appraisers as of November 29, 2012. The increase in the valuation of land, net of deferred income tax liability, is credited to "Revaluation increment" and presented in the equity section of the consolidated balance sheet. Upon disposal, the relevant portion of the revaluation increment realized in respect of the previous valuation will be released from the revaluation increment directly to retained earnings. Decreases that offset previous increases in respect of the same property are charged against the revaluation increment; all other decreases are charged against current operations. The Group obtains an updated appraisal report if there are indicators that the value of the properties may have significantly changed.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings and structures	10 years
Machinery and equipment	10 years
Transportation equipment	5-10 years
Office furniture and equipment	3-5 years

Leasehold improvements are amortized over the term of the lease or the life of the assets (average of 10 years), whichever is shorter.

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

When items of property, plant and equipment are sold or retired, their cost and related accumulated depreciation and any impairment in value are removed from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Construction in progress represents projects under construction and is stated at cost (includes cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use. Interest costs on borrowings used to finance the construction of the project are accumulated under this account. Interest costs are capitalized until the project is completed and becomes operational. The capitalized interest is amortized over the estimated useful life of the related assets.

Asset Retirement Obligation

The Group is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. The Group recognizes the fair value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the effective interest rate method with the related interest expense recognized in the consolidated statement of income.

Investment Properties

Investment properties consist of parcels of land currently held for undetermined future use. These are measured initially at cost, including any transaction costs.

Investment properties are carried at cost less any impairment in value. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. When an item of property and equipment previously carried at revalued amount is transferred to investment properties, the carrying value at the date of reclassification is retained as new cost of the investment property and the corresponding revaluation increment, net of the related deferred income tax liability, is closed to retained earnings.

Investment properties are derecognized when they are either disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income.

Software Costs

Software costs (included under "Other noncurrent assets") acquired separately are measured on initial recognition at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment losses. The asset is amortized over the useful economic life of five years and assessed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method are reviewed at least at the end of each reporting period.

Impairment of Nonfinancial Assets

The carrying values of property, plant and equipment, investment properties and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of these assets is the greater of fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment 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, if any, are recognized in the consolidated statement of income.

Capital Stock

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Capital paid in excess of par". When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company,

the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more readily determinable.

Shares of Stock Held in Treasury

The Company's shares, which are reacquired or held by the Company (shares of stock held in treasury), are deducted from equity and are accounted for at cost. Upon retirement, the difference between the cost of the treasury shares against the par value is charged against additional paid in capital. If the cost of the treasury shares is higher than the total paid in capital, the excess is charged against retained earnings. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of these shares.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

Revenue

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits will flow to the Group. Net sales is measured at the fair value of the consideration received or receivable, excluding discounts and sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized when the goods are delivered to and accepted by customers.

Interest

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

Rent Income

Rent income is recognized on a straight-line basis over the lease term.

Logistics and other services

Revenue is recognized when the related services are rendered.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group includes changes in revaluation increment in property, fair value changes of AFS financial assets and remeasurement gains or losses on retirement benefits.

Cost of Sales and Operating Expenses

Cost and expenses are recognized in the consolidated statement of income when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Cost of sales

Cost of sales is recognized in the consolidated statement of income when the related goods are sold. These are measured at the fair value of the consideration paid or payable.

Operating expenses

Operating expenses are recognized in the consolidated statement of income upon utilization of the services or materials or at the date that these expenses are incurred. These are measured at the fair value of the consideration paid or payable.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets, or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, only if any 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 specified asset; or (d) there is substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease expense is recognized in the consolidated statement of income on a straight-line basis over the terms of the lease agreements.

Retirement Benefit Costs

Retirement benefits liability, as presented in the consolidated balance sheet, is the aggregate of the present value of the defined benefit obligation reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling, each at the end of the reporting period. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses, any difference in the interest income and actual return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. All other borrowing costs are expensed as incurred. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing cost is suspended when the active development of a qualifying asset is suspended for an extended period. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Foreign Currency-denominated Transactions and Translation

Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at balance sheet date. Foreign exchange gains or losses are credited to or charged against current operations.

Income Tax

Current income tax

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carryforward benefits of excess MCIT and unused NOLCO can be utilized. Deferred income tax however, is not recognized when it arises from initial recognition 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 the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized in the consolidated statement of comprehensive income and directly in equity is recognized in the consolidated statement of comprehensive income and not included in the calculation of net income for the year.

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

Earnings Per Share

Basic earnings per share is computed by dividing the net income for the year by the weighted-average number of issued and outstanding shares of stock during the year, excluding ordinary shares purchased by the Company and held as treasury shares. The Company has no potential dilutive common shares.

Provisions and Contingencies

Provisions are recognized when: (1) the Group has a present obligation (legal or constructive) as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at the pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognized as interest expense.

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

Events after the Balance Sheet Date

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

3. Significant Accounting Judgments, Assumptions and Estimates

The preparation of the interim consolidated financial statements in compliance with PFRS requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements. The 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. Future events

may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments

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:

Consolidation of MPI

An investee is included in consolidation even in cases where the Company owns less than one-half of the investee's equity, when the substance of the relationship between the Company and the investee indicates that the investee is controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. While the Company has only 40% equity interest in MPI, the Company has majority representation in MPI's BOD. The Company is also designated to appoint personnel to manage the day-to-day operations of MPI. Moreover, the only activity of MPI is to lease out its parcels of land to the Company. Based on these facts and circumstances, management concluded that the Company controls MPI and, therefore, included MPI in the consolidated financial statements of the Group.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets.

The Group determines the classification at initial recognition and re-evaluates this designation at every financial reporting date. The classification of the Group's financial assets and financial liabilities is summarized in Note 13.

Operating lease commitments - Company as lessee

The Group has operating lease agreements for its depots and office. The Group has determined that the risks and rewards of ownership for the underlying properties have been retained by the respective lessor because the ownership of the leased assets remains with the lessor at the end of the lease term and the lease period does not substantially cover the economic life of the related assets. Accordingly, the leases were accounted for as operating leases.

Impairment of AFS financial assets

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 30% or more or "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities. For unquoted equity securities, the Group also considers the historical results of operation and financial position of the investee company. The Group believes that no further impairment on its AFS financial assets is necessary. Accordingly, no impairment loss was recognized in 2014 and 2013.

Impairment of nonfinancial asset

The Group assesses the impairment of nonfinancial assets (property, plant and equipment, land at appraised value, investment properties and software costs) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include: significant under performance relative to expected historical or projected operating results, significant changes in the manner of use of acquired assets or the strategy for overall business and significant negative industry or economic trends. Management assessed that there was no indication of impairment on the Group's property, plant and equipment, land at appraised value, investment properties and software costs as of September 30, 2014 and December 31, 2013.

Contingencies

The Group, in the normal course of business, is currently involved in various legal proceedings and has outstanding tax assessments covering prior taxable years. The management, together with its counsels, is contesting these cases and assessments. Based on the assessment of management and its counsels, the Group believes it will be able to defend its position on these cases.

Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of input such as liquidity risk, credit risk and volatility. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimated allowance for doubtful accounts

The Group maintains allowances for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The Group reviews the age and status of receivables, designed to identify accounts with objective evidence of impairment, and provide the appropriate allowance for impairment. Management evaluates on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customer, the customer's payment behavior and known market factors.

Estimated useful lives of property, plant and equipment

The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental factors and anticipated use of the assets.

Estimated allowance for inventory obsolescence

The amount of estimated allowance for inventory obsolescence made by management is based on a number of factors such as age and status of inventories and the Company's experience.

Fair value of land

The land, included in property, plant and equipment, is stated at revalued amount based on the fair market value of the property as determined by an independent firm of appraisers as of November 29, 2012. The valuation was made on the basis of the fair market value determined by referring to the character and utility of the properties, comparable property which have been sold recently, and the land's highest and best use in the locality where the property is located. Management believes that the basis of fair market value is still reasonable considering that there are no significant changes in the areas surrounding the properties. As of September 30, 2014 and December 31, 2013, the carrying value of land amounted to ₱189.58 million.

Asset retirement obligation (ARO)

Property, plant and equipment includes the estimated cost of dismantling and restoration of depot facilities for which the Company is liable. The estimated dismantling cost was based on recent cost to dismantle the facilities in the Batangas and Davao depots and estimated incremental annual cost up to the end of the lease term. The estimated dismantling cost was discounted using prevailing market rate at the inception of the lease for an instrument with a term similar to the term of the lease.

Recognition of deferred income tax assets

The Group reviews the carrying amount of deferred income taxes at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Estimation of retirement benefits cost

The determination of the obligation and cost of retirement benefits is dependent on certain assumptions used by the actuary in calculating such amounts. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement cost and obligations.

4. **Cash and Cash Equivalents**

	September 30, 2014	December 31, 2013
Cash on hand and in banks	82,746	₱43,357
Short-term placements	174,422	73,016
	₱257,168	₱116,373

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months. These placements earn interest at the respective short-term placement rates. Average interest rate for the period of the short-term placements was 0.97% in 2014 and 0.71% in 2013.

5. Trade and Other Receivables

	September 30, 2014	December 31, 2013
Trade	₱365,738	₱374,137
Others	2,208	2,294
	367,946	376,431
Less allowance for doubtful accounts	19,415	19,415
	₱348,531	₱357,016

Trade receivables are noninterest-bearing and are generally on 30-60 days' terms.

Movements in the allowance for doubtful accounts follow:

	September 30, 2014	December 31, 2013
Balance at beginning of year	₱19,415	₱19,415
Write off	-	-
Provision	-	-
Balance at end of year	₱19,415	₱19,415

6. AFS Financial Assets

	September 30, 2014	December 31, 2013
Quoted equity instruments at fair value:		
Listed companies	₱1,179	₱1,154
Golf shares	290	260
	1,469	1,414
Unquoted equity instruments at cost	28,217	28,217
Less allowance for impairment loss	(23,216)	(23,216)
	5,001	5,001
	₱6,470	₱6,415

The fair value of investments in listed company shares was based on their closing market prices with the Philippine Stock Exchange as of September 30, 2014 and December 31, 2013. Fair value of golf shares was based on club share quotes that are publicly available from the local dailies and websites of club share brokers.

The investment in unquoted equity instruments consists of investments in preferred, redeemable, non-convertible, non-voting shares of Tosoh Polyvin Corporation (TPC) representing 3% of total preferred shares and 10% of TPC's issued capital stock equivalent to 22,478 common shares.

The following table presents the movements in Reserve for fluctuation in AFS financial assets:

	September 30, 2014	December 31, 2013	December 31, 2012
Balance at beginning of year	P335	P694	P558
Mark-to-market gain (loss) for the year	55	(359)	136
Balance at end of year	P390	P335	P694

The Group follows the specific identification method in determining the cost of any AFS financial asset sold.

7. Other Noncurrent Assets

	September 30, 2014	December 31, 2013
Software costs	P2,823	P3,839
Security and rental deposits	8,801	8,791
Others	241	241
	P11,865	P12,871

In 2011, the Group acquired software with cost amounting to P6.77 million. The cost of the software is being amortized over five years. The amortization as of September 30, 2014 and December 31, 2013 amounted to P1.02 million and P1.35 million, respectively.

8. Trust Receipts Payable

Trust receipts payable represents short-term borrowings from a local bank to finance inventory importations. Trust receipts bear average interest rate for the period of 1.10% as of September 30, 2014 and 2.16% in 2013. The amount of trust receipts is secured by the underlying inventories. There were

9. Long-term Debt

- a. On January 25, 2008, the Company entered into a medium term loan with a local bank amounting to P350.0 million to finance the construction of the IEM 2 plant in Iligan. The first drawdown of P250.0 million was made on January 31, 2008, with a fixed interest rate of 6.6% per annum. Another drawdown was made on March 7, 2008 for P100 million, with fixed interest rate of 7.497% per annum. The interest expense recognized under "Interest and financing charges" amounted to P3.08 million, P7.66 million and P16.04 million in 2012, 2011 and 2010, respectively, while interest capitalized as part of the cost of the IEM 2 plant amounted to P13.75 million in 2008. The loan was settled in January 2013.

The loans provide for late payment penalty of 2% per month of delay or a fraction thereof. The loans have a maximum term of five (5) years from the initial drawdown date, inclusive of a grace period of 12 months, and is payable in 16 equal quarterly payments. The Company has the option to prepay the loan, wholly or partially, without penalty, subject to certain conditions. Loan prepayments amounted to P25.00 million in 2011 (nil in 2012).

The loan is secured by the Company's Mortgage Trust Indenture (MTI) covering certain items of its properties and assets. The Company is required to deliver additional security to the MTI (in form and substance acceptable to the bank) in the event the properties subject of the loan document shall diminish in value below a collateral cover as defined in the loan document. The loan is subject to certain negative covenants with respect to the following, among others: (1) merger, consolidation and other material changes in the Company's direct or indirect ownership, corporate set up or management, (2) making or permitting any material and adverse change in the character of its business, (3) creating, incurring, assuming or permitting to suffer to exist any mortgage, charge, pledge, lien or other encumbrance or security interest, (4) maintenance of debt-to-equity ratio and current ratio of 1.5:1.0, (5) declaring or paying cash dividends to such extent that will increase its debt to equity ratio beyond 0.5:1.0, and (6) maintenance of interest cover and debt service cover of 1:1. As of December 31, 2012 and 2011, the Company is in compliance with these covenants.

Two parcels of land subject to the exchange were included as security to the MTI. To effect the exchange, the said properties were released from the MTI and MPI executed a real estate mortgage in favor of the bank.

As of December 31, 2012, the carrying value of the properties collateralized under the MTI amounted to ₱369.49 million. These assets were released from the mortgage upon settlement of the loan in January 2013.

- b. As of September 30, 2014 and December 31, 2013, the Company has unused credit lines amounting to ₱545.80 million and ₱530.16 million, respectively.

10. Asset Retirement Obligation

	September 30, 2014	December 31, 2013
Balance at beginning of year	₱1,150	₱1,029
Accretion for the year	-	121
Reversal	-	-
Balance at end of year	₱1,150	₱1,150

11. Equity

Capital stock

The Company's number of shares authorized, issued and outstanding are as follows:

	September 30, 2014	December 31, 2013
Authorized at ₱1 par value per share	1,072,942,532	1,072,942,532
Issued and outstanding:		
Beginning	661,309,398	661,309,398
Treasury shares	-	-
Ending	661,309,398	661,309,398

On November 19, 2010, the BOD approved a resolution amending the Company's Articles of Incorporation decreasing the authorized capital stock to 1,072,942,532 shares from 1,099,942,532. The amendment was ratified by the stockholders on April 28, 2011 and was approved by the Philippine Securities and Exchange Commission (SEC) on August 31, 2011.

The treasury shares acquired in 2010 is in line with the settlement of the receivables from MAHEC. On April 28, 2011, the BOD approved a resolution on retirement of the 27,000,000 treasury shares. The retirement was approved by the SEC on August 31, 2011. Consequently, the cost of the treasury shares amounting to ₱27.40 million was derecognized and the excess of ₱0.40 million over its par value was charged against retained earnings.

Track record of registration of securities

Authorized capital stock

Date	Activity	Par Value	No. of Common Shares	Balance
February 5, 1997	Authorized	₱1.00	–	1,200,000,000
December 28, 2007	Retirement of capital stock	1.00	(100,057,468)	1,099,942,532
August 31, 2011	Retirement of capital stock	1.00	(27,000,000)	1,072,942,532

Issued and outstanding

Date	Activity	Offer Price	No. of Common Shares	Balance
February 5, 1997	Issued and outstanding before listing	₱–	–	433,785,389
February 5, 1997	Issued during offer	1.90	223,187,000	656,972,389
June 15, 1997	Stock dividend	–	131,394,477	788,366,866
December 28, 2007	Retirement of capital stock	–	(100,057,468)	688,309,398
August 31, 2011	Retirement of capital stock	–	(27,000,000)	661,309,398

The Company's shares are listed and traded at the PSE and the number of equity holders of the Company was 2,408 and 2,428 as of September 30, 2014 and December 31, 2013, respectively.

Retained earnings

The Company's retained earnings is restricted for dividend declaration to the extent of the cost of the treasury shares, undistributed retained earnings of the subsidiary and other unrealized income.

On April 25, 2013, the BOD approved the declaration of 5% per share (₱0.05/share) cash dividend to all stockholders of record as of May 24, 2013 to be paid on or before June 20, 2013.

On April 24, 2014, the BOD approved the declaration of 5% per share (₱0.05/share) cash dividend to all stockholders of record as of May 23, 2013 to be paid on or before June 19, 2014.

12. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, AFS financial assets, other receivables, trust receipts payable and bank loans. The main purpose of these financial instruments is to finance the Group's operating requirements. The other financial assets and financial liabilities arising directly from its operations are trade receivables and payables. The Group does not engage in any trading of financial instruments.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group's exposure to equity price risk resulting from changes in the fair value of its investment in equity securities is not significant. The Group's long-term debt, short-term loans and trust receipt are subject to fixed interest rates. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows from the Group's foreign-currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

The Group's exposure to foreign currency risk primarily arises from deposits and placements in foreign currency and importation of finished goods and raw materials and equipment. The Group manages this exposure by matching its receipts and payments for each individual currency. Purchases of finished goods and raw materials are subject to an open account from foreign suppliers and is settled immediately through a peso trust receipts financing from a local bank once all the documentation requirements are complete. The Group may also enter into currency forward contracts to manage the currency risks. There are no currency forward contracts outstanding as of September 30, 2014 and December 31, 2013.

Credit risk

Credit risk arises because the Group's counterparty may fail to perform its obligations.

The Group is not exposed to concentrations of credit risk. The Group does not have any customer that accounts for more than 10% of its total revenue. It is the Group's policy to require all customers, who wish to trade on credit terms, to comply with and undergo the credit verification process. This process emphasizes on the customer's capacity and willingness to pay. In addition, receivables are closely monitored so that exposure to bad debts is minimized.

The Group deals only with legitimate and duly accredited parties.

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with financial instruments. Such risk may result from inadequate market depth, disruption or refinancing problems.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and purchase contracts. Short-term loans availed for operating requirements usually mature within one year. Loans through trust receipts mature within 180 days while trade and other payables usually mature within 60 days. The Group also has existing credit lines with local banks which could be drawn when necessary.

Capital Management

The primary objective of the Group's capital management is to ensure profitability by maintaining high capital turn-over ratio in order to support its business and maximize utilization of capital.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is subject to certain debt covenants which include, among others, maintenance of certain debt to equity and current ratios. As of September 30, 2014 and December 31, 2013, the Group is in compliance with these covenants.

13. Financial Instruments

Fair Value

Due to the short-term nature of the transactions, the carrying value of cash in banks, short-term deposits, trade and other receivables, short-term loans, trust receipts payable, trade payables, dividends payable, accrued expenses and current portion of long-term debt approximate their fair values.

The following table sets forth the carrying values and estimated fair values of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values as of September 30, 2014 and December 31, 2013:

	September 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables -				
Security and rental deposits	₱8,801	₱8,428	₱8,791	₱8,499
AFS financial assets				
Quoted	1,469	1,469	1,414	1,414
Unquoted	5,001	5,001	5,001	5,001
	6,470	6,470	6,415	6,415
	₱15,271	₱14,898	₱15,206	₱14,914

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Security and rental deposits

The fair value of security and rental deposits have been calculated as the sum of all future cash flows, discounted using prevailing market rate of interest for instruments with similar maturities.

AFS financial assets

The fair values of publicly traded instruments and similar investments are based on quoted bid prices. The fair value of unquoted AFS equity securities was determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, including the forecast cash flows, the discount rate, credit risk and volatility.

Customers' deposits

The fair value of the customers' deposit is not determinable because there is no reasonable basis as to the timing of the return of the cylinders by the customers and the refund of the deposits to customers.

Fair Value Hierarchy

The Group measures the fair value of financial instruments carried at fair value using the following hierarchy:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date. There have been no transfers between Level 1 and 2 categories. Further, there were no transfers in or out of Level 3 category in 2014 and 2013.

The following are the significant unobservable inputs to the fair value of the unquoted AFS equity securities under Level 3 hierarchy:

<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Range</u>	<u>Sensitivity of the input to fair value</u>
Discounted cash flow method	Long-term operating margin	0.29% - 1.23%	Increase (decrease) in the margin would increase (decrease) the fair value
	Terminal value multiple	3.0	Increase (decrease) in the multiple by 0.5 would increase (decrease) the fair value by ₱0.68 million
	Weighted average cost of capital	7%	1% increase in the rate would decrease fair value by ₱0.23 million

14. Leases

The Company has various noncancellable operating lease agreements covering its office spaces, parking slots, warehouse, storage tanks, piping system, pumps, and bulk storage and handling facilities for a period of three to 15 years and expiring on various dates up to 2021. These leases are renewable upon mutual agreement of the parties and subject to escalation rate of 2.5% to 6.5 % annually.

The covering agreements of these leases require the Company to pay certain amounts of security and rental deposits, which are included under "Other noncurrent assets" in the consolidated balance sheets. The related security deposits amounted to ₱8.80 million as of September 30, 2014 and December 31, 2013.

15. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under

common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

- a. The Company purchases inventories from Mitsubishi based on agreed commercial terms and conditions. Total purchases from Mitsubishi amounted to ₱326.96 and ₱391.46 million as of September 30, 2014 and December 31, 2013, respectively.
- b. The Company maintains Peso and Dollar deposit accounts with a bank who is also a stockholder. As of September 30, 2014 and December 31, 2013, total cash in bank maintained with the said bank amounted to ₱13.33 million and ₱8.21 million, respectively.
- c. On December 18, 2009, the Company and Mabuhay Vinyl Corporation - Retirement Fund (MVC-RF) executed a Shareholder's Agreement (the Agreement) with respect to their investment in MPI. Among others, the Agreement provides for the following:
 - i. MPI's authorized capital stock comprises (a) 5,140,000 Common A shares with par value of ₱30.00 and (b) 7,800,000 Common B shares with ₱1.00 par value. The Company will own shares not exceeding 40% of the outstanding capital stock of MPI and MVC-RF will own at least 60%.
 - ii. The Common A and Common B shares have full voting rights and shall enjoy the same rights and privileges, except as follows:
 - Each common B shares earns a fixed annual dividend (Guaranteed Preferred Dividend or GPD) which, upon declaration of MPI's BOD, is payable within 60 days from the close of the calendar year. The annual GPD is computed using PDST-F one year Treasury Bill rate plus 300 basis points upon payment by MVC-RF of its subscription.
 - Undeclared/unpaid GPD shall, in addition to and on top of the GPD, earn a bonus dividend.
 - The GPD shall be guaranteed and cumulative.
 - The Common B shares, other than the GPD and other payments related thereto, shall not participate in net earnings of MPI.
 - MVC-RF, as holder of Common B shares, shall be entitled to be paid in full in the event that MPI is liquidated or dissolved.
 - iii. The right of MVC-RF, as holder of Common B shares, to petition for the redemption of the shares is recognized and guaranteed.
 - iv. The Company shall designate or appoint the personnel who will be responsible for the day-to-day operations of MPI.

The Common B shares are redeemable at the option of MPI (the issuer). Payment for the subscription of MVC-RF was received on December 18, 2009.