4 2 0 2 0

SEC Registration Number

L M G C H E M I C A L S C O R P .

(Company's Full Name)

C h e m p h i l B u i l d i n g , 8 5 1 A . A r n a i z

A v e n u e , L e g a z p i V i l l a g e

M a k a t i C i t Y

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

Ana Maria G. Ordoveza

(Contact Person)

(02) 818-8744

(Company Telephone Number)

1 2 3 1

Month *Day*

(Calendar Year)

1 7 - A

(Form Type)

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2012**

2. SEC Identification Number **42020** 3. BIR Tax Identification No. **047-000-526-765**

4. Exact name of issuer as specified in its charter **LMG CHEMICALS CORP.**

5. **PHILIPPINES**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **851 Arnaiz Avenue, Makati City** **1229**
Address of principal office Postal Code

8. **(632) 818-87-11**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock P1.00 par value	**193,544,176**

11. Are any or all of these securities listed on a Stock Exchange?

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the 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 [**X**] No [ ]

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

Yes **[X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] [**x**] not applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);

(c) Any prospectus filed pursuant to SRC Rule 8.1-1.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

LMG Chemicals Corp. (LMG) was incorporated on April 20, 1970 as industrial chemicals manufacturer and distributor.

In October 2007, the Board of Directors of LMG Chemicals Corp (LMG) approved the transfer of the Company’s properties to its two wholly-owned subsidiaries, Chemphil Marketing Corp (CMC) and LMG Land Development Corp (LMG Landco). The said transfers were under the property-for-equity scheme whereby CMC and LMG Landco issued their respective shares of stocks to LMG in December 2007.

In February 2008, the Securities and Exchange Commission (SEC) approved the request of CMC to change its name to Chemphil Manufacturing Corp.

In August 2008, LMG and LMG Landco together with Chemical Industries of the Philippines (CIP) entered into a Shares and Asset Purchase Agreement with Chemoil Fuel Philippines, Inc and Chemoil Energy Philippines, Inc to sell and transfer the entire LMG shares in LMG Landco and to sell the property owned by CIP in Pinamucan, Batangas to Chemoil Fuel Philippines and Chemoil Energy Philippines, Inc., respectively.

In October 2009, the Board of Directors of LMG declared LMG’s investment in shares of CMC and Kemwater Phil Corp (KPC) as property dividends. They also approved the assignment of LMG’s receivables from Chemoil, Inc and CMC amounting to P 44.4 million and P 72.5 million, respectively to the Company's shareholders, in proportion to their shareholdings with the Company.

In December 2009, a Deed of Assignment was executed to assign LMG's rights, titles and interest over the shares in CMC and KPC to the stockholders of LMG in proportion to their respective shareholdings.

As a result of the above divestments, LMG is now engaged in the trading of chemical products.

It is not involved in bankruptcy, receivership or similar proceedings.

The Company has no intention to purchase or sell a significant amount of assets not in the ordinary course of business.

(2) Business of Issuer

(i) Principal Products or Services

LMG is engaged only in the trading of chemical products. This includes caustic soda, sulfur and other industrial chemicals.

(ii) Distribution methods of the products or services

The products of KPC are sold directly to customers in various parts of the country.

(iv) Status of publicly announced new products or services

There were no new products or services publicly announced by the Company.

(v) Competition

The Company sells its products mainly to end-users. The major competitors of the Company are the local importers and traders.

(vi) Sources of raw materials and the names of principal suppliers

There are no raw materials purchased by the company since it is not engaged in manufacturing.

(vii) Dependence upon a single customer or a few customers

The Company is not dependent on a single customer or a few customers.

(viii) Transactions with and/or dependence on related parties

The Company, in the ordinary course of business, has mutual but arms-length transactions – such as purchase of merchandise inventories, short-term lending/borrowing; sourcing of services of CIP and affiliates, etc.

(x) Need for any government approval of principal products or services

The Company does not need any government approval for the sale of its products or services.

(xiv) Number of the registrant and its subsidiaries present employees and the number of employees it anticipates to have within the ensuing twelve (12) months.

Since the Company is engaged only in the trading of chemicals it has no direct employees as of December 31, 2012. It only has one professional consultant that oversees its trading operations. It sources the services of Chemical Industries of the Philippines (CIP) for its management and administrative requirements. As the parent company in the Chemphil Group, CIP provides management support services to its affiliates.

For its operations, it sources the services of an affiliate, Chemphil Manufacturing Corporation.

(xv) Major risks

Business disruption caused by flooding inside the plant.

While finished products in bags are safe in the warehouses, extreme cases of typhoons can inundate some low areas in water. To minimize or prevent damage to finished products, the Chemphil Group has rehabilitated the perimeter walls around the plant. Big capacity floodwater pumps are in place and regularly maintained to prevent the rise of floodwater.

Item 2. Properties

None

Item 3. Legal Proceedings

None

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

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

PART II SECURITIES OF THE REGISTRANT

(A) MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

(1) Market Information

(a) Principal market where the Company's common share is being traded and its current status:

Philippine Stock Exchange (PSE) Status – No public trading market from second quarter to fourth quarter of 2012.

(b) Presented below are the high and low sales prices for each quarter of 2010, 2011 and 2012:

	1st Quarter		2nd Quarter	3rd Quarter	4th Quarter	
	High	Low			High	Low
2012			no trading	no trading	no trading	
Feb. 01, 2012	P8.40					
Jan. 02, 2012		P 1.17				

2011	no trading	no trading	no trading		
Dec. 28, 2011				P1.66	P1.04
Dec. 29, 2011				P1.32	P1.21
2010	no trading	no trading	no trading	no trading	

2. Holders

The number of shareholders of record as of December 21, 2012 and April 30, 2013 was 23. Common shares outstanding as of December 31, 2012 and April 30, 2013 were 193,544,176 (net of 100,028 shares held in treasury).

The stockholders as at December 31, 2012 and April 30, 2013 based on the Stock Transfer Agent's records are as follows:

Name	Dec. 31, 2012	% to Total	Apr. 30, 2013	% to Total
1. Chemical Industries of the Philippines	127,583,458	65.89	127,583,458	65.89
2. PCD Nominee Corp.	65,864,026	34.01	65,864,026	34.01
3. Chemphil-LMG, Inc. – Treasury shares	100,028	.05	100,028	.05
4. Fermin, Benjamin	32,632	.02	32,632	.02
5. Copuyoc, Demetrio	20,261	.01	20,261	.01
6. Roces, Jr. Felix C.	19,268	.01	19,268	.01
7. Chandran, Robert C.	14,633	.01	14,633	.01
8. Gili Jr., Guillermo F.	5,000	.00	5,000	.00
9. Roxas, Alfredo	3,656	.00	3.656	.00
10. Valencia, Jesus San Luis	1,000	.00	1,000	.00
11.Owen, Nathaniel S. Au ITF: Li Marcus Au	100	.00	100	.00
12. Garcia, Eusebio Jr. M.	38	.00	38	.00
13. Garcia, Juan Manuel M.	34	.00	34	.00
14. Garcia, Ramon M.	32	.00	32	.00
15. Garcia, Antonio M.	29	.00	29	.00
16. Garcia, Jose Ricardo C	2	.00	2	.00
17. Paulino C. Alvaro	1	.00	1	.00
18. Ana Maria G. Ordoveza	1	.00	1	.00
19. Jose Ma. L. Ordoveza	1	.00	1	.00
20. Jesus N. Alcordo	1	.00	1	.00
21. Alexandra G. Garcia	1	.00	1	.00
22. Augusto P. Nilo	1	.00	1	.00
23. Henry C. Leung	1	.00	1	.00
Total	193,644,204		193,644,204	

3. Dividends

(a) Dividend declared:

	2012	2011	2010
Dividends per share			
Cash	nil	nil	nil
Property	nil	nil	nil

(b) Restrictions that limit the payment of cash dividend

None

4. Recent sales of Unregistered Securities:

There are no recent sales of unregistered securities.

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

1. Plan of operation

For 2013, LMG will continue with its trading activities. Additionally, LMG expects to trade other industrial chemicals which it has already received inquiries for. This includes caustic soda, sulfur and other industrial chemicals.

LMG has no plans to raise additional funds during the next twelve months of 2013.

The Company has no intention to perform product research and development in 2013.

There is also no plan to purchase or sell any significant equipment.

There will be no changes in the number of employees.

2. Management's Discussion and Analysis

a. Results of operation

There was no trading operation in 2012. Sales and cost of sales in 2011 amounted to P1.7 million and to P1.4 million respectively. Operating expenses in 2012 amounted to P2.1 million as compared to P1.3 million in 2011.

LMG incurred a loss of P1.8 million in 2012 versus the P1.1 million loss in 2011.

b. Financial condition

As of December 31, 2012 and 2011, assets of LMG amounted to P242.4 million and P245.3 million, respectively. It has P 262 thousand liability in 2012 and P1.3 million in 2011.

Below are the key performance indicators used by LMG in determining its profitability and liquidity:

	Jan - Dec 2012	Jan - Dec 2011
Gross profit margin	-	0.17
Rate of return on sales	-	(0.64)
Net income (loss) to stockholders equity	(0.008)	(0.004)
	Dec 2012	Dec 2011
Current ratio	925.17:1	193.63:1
Debt-to-equity ratio	0.001:1	0.005:1

Formulae:
Current ratio = Current assets/Current liabilities
Debt to equity ratio = Total liabilities/Stockholders' equity

The Company is not aware of any other trend or event that would have material impact on its liquidity.

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation.

There are 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 period.

The Company has no material commitments for capital expenditures.

The Company is not aware of any trend, event or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenue or income.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no seasonal aspects that had a material effect on the financial condition or results of operations.

Following are the accounts for the year ended December 31, 2012 with material change as compared with the same period of 2011 and 2010:

(P'000)	2012	*% Inc (Dec)*	2011	*% Inc (Dec)*	2010
Net sales	0	*0*	1,688	*9,377*	18
Cost of sales	0	*0*	1,394	*10,723*	13
Gross profit	0	*0*	294	*5,880*	5
Operating expenses	(2,165)	*62*	(1,335)	*2,472*	(54)
Interest expense	0	*0*	(33)		0
Interest income	84	*0*	0		0
Other income (expense)	257	*0*	0		0
Net loss	(1,846)	*71*	(1,080)	*2,204*	(49)

2012 versus 2011

a. Net sales – no trading operations in 2012.
b. Operating expenses – the increase was due to outside services expenses, and fees and allowances

2011 versus 2010

a. Net sales – the increase was due to the sale of merchandise inventories. There were no sales in 2010.
b. Cost of sales – the increase was also due to the sales in 2011.
c. Gross profit – the increase was due to the profit realized from the sale of merchandise inventories.
d. Operating expenses – the increase was due to registration expenses, legal, consultant and audit fees.

Following are the accounts in the balance sheet as of December 31, 2012 with material changes as compared with the December 31, 2011 balances:

(P'000)	2012	% *Inc (Dec)*	2011
Cash	181	*87*	97
Receivables – net	6	*(99)*	3,249
Other current assets	218	*257*	61
Due to related parties	12	*(99)*	829
Accounts payable and accrued expenses	249	*(43)*	438

The explanations for the material changes in financial condition since the end of the last calendar year are as follows:

a. Cash – the increase was due to higher money market placements.
b. Receivables – there were no sales in 2012.
c. Other current assets – the increase was due to increase in input taxes
d. Due to related parties – the decrease was due to the decrease in related party transactions
e. Accounts payable and accrued expenses – the decrease was due to the payment of obligations.

Item 7. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

1. External Audit Fees and Services

Particulars	2012	2011
A. Audit and Audit-related fees	P 125,000[1]	P 204,000
B. Tax fees	N/A	N/A
C. All other fees	N/A	N/A

I. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

A. Change in Independent Accountant

There were no changes in the Company's independent accountant during the two most recent fiscal years.

B. Disagreements with former accountant on Accounting and Financial disclosure
.
Not Applicable

C. File as an exhibit to the report the letter from the former accountant addressed to the Commission stating whether it agrees with the same statements made by the registrant and, if not, stating the respects in which it does not agree

Not applicable

PART III - CONTROL AND COMPENSATION INFORMATION

[1] Proposed

Item 9. Directors and Executive Officers of the Issuer as of December 31, 2012.

The names and ages of all officers are as follows:

Officer	Name	Age	Citizenship
Chairman of the Board	Antonio M. Garcia	72	Filipino
President and CEO	Ana Maria G. Ordoveza	62	Filipino
Chief Operating Officer and Director	Alexandra G. Garcia	47	Filipino
Treasurer	Jose Ricardo C. Garcia	42	Filipino
Director	Ramon M. Garcia	71	Filipino
Director	Eusebio M. Garcia Jr.	69	Filipino
Director	Jose Ma. L. Ordoveza	67	Filipino
Director	Jesus N. Alcordo	75	Filipino
Director	Paulino C. Alvaro	60	Filipino
Independent Director	Augusto P. Nilo	73	Filipino
Independent Director	Roberto A. Silva		Filipino
Corporate Secretary	Luis A. Vera Cruz	62	Filipino
Asst. Corporate Secretary	Salvador L. Pena	51	Filipino

Mr. Antonio M. Garcia has been Chairman of the Board and President of the Company for more than ten years. He is also the incumbent Chairman of Chemical Industries of the Philippines (CIP), CAWC, Inc., Perfumeria Espanola Corp., and Kemwater Phil. Corp.

Mrs. Ana Ma. G. Ordoveza was elected President on July 7, 2005 and concurrently as CEO effective January 01, 2006. She is also the President and CEO of Chemical Industries of the Philippines (CIP), and CAWC, Inc. She is a director of Kemwater Phil. Corp. and Vision Insurance Consultants, Inc. She is currently the Chairperson of the Board of Directors of the Cuyapo Rural Bank.

Ms. Alexandra G. Garcia was elected director on September 26, 2002. She is an incumbent director of CAWC, Inc., Kemwater Phil. Corp. and Chemphil Manufacturing Corp. She is currently the Chief Operating Officer of the Company.

Jesus N. Alcordo was elected director on September 26, 2002. He is an incumbent director of Chemical Industries of the Phils, Inc., Kemwater Phil. Corp. and CAWC, Inc.

Mr. Ramon M. Garcia was elected director last September 7, 1999. He is presently holding board and/or executive positions in various capacities of RG Holdings Corp. (formerly Chemphil Export Import Corp.), Phil. Minerals & Alloy Corp. and Diversified Securities Inc. He is a director of Chemical Industries of the Philippines, Inc., and CAWC, Inc.

Mr. Eusebio M. Garcia was elected director on September 28, 2001. Mr. Garcia held various Board and Management positions in the Chemphil Group..

Mr. Jose Ma. L. Ordoveza has been a director since 1992. He is an incumbent director of CAWC, Inc. and Chemical Industries of the Philippines, Inc.

Mr. Luis A. Vera-Cruz was first elected Corporate Secretary last September 22, 1998. He is a senior partner in the law firm of Angara, Abello, Concepcion, Regala & Cruz.

Mr. Salvador L. Pena was elected Assistant Corporate Secretary last September 22, 1998. He is a senior partner in the law firm of Angara, Abello, Concepcion, Regala & Cruz.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors shall have been elected and qualified.

Elective officers are elected annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until a successor shall have been elected and qualified.

(**Note:** The company's Manual on Corporate Governance does not provide for the creation of Nomination and Compensation Committees)

Significant Employees

There is no "significant employee" as defined in Part IV (A) (2) of SRC Rule 12 (i.e., a person who is not an executive officer of the registrant but who is expected to make a significant contribution to the business). Nonetheless, all employees are expected to make a reasonable contribution to the success of the business of the company.

Family Relationships

Except for Mrs. Ana G. Ordoveza who is the sister of the brothers Mr. Antonio M. Garcia, Mr. Eusebio M. Garcia, Jr., and Mr. Ramon M. Garcia; Mr. Jose Ma. L. Ordoveza who is the husband of Ana Maria and brother-in-law of the brothers Mr. Antonio M. Garcia. Mr. Eusebio M. Garcia, Jr., and Mr. Ramon M. Garcia; and Alexandra G. Garcia who is the daughter of Mr. Antonio M. Garcia, and niece of Mr. Ramon M. Garcia, Mr. Eusebio M. Garcia, Jr., Mrs. Ana Maria G. Ordoveza, Mr. Jose Maria L. Ordoveza, there are no relationships among the officers and directors listed. There is no family relationship among the officers and directors listed.

Involvement in Certain Legal Proceedings of Executive Officers and Directors

CA-G.R. CV No. 69970 (Civil Case No. 96-1964 – RTC Makati Branch 61) Special Eleventh Division, Court of Appeals, entitled FERRO Chemicals, Inc. vs. CIP, Antonio M. Garcia, et al.

The case involves the complaint for damages in the amount of P390,000,000.00 filed by Ferro Chemicals, Inc. against Chemical Industries of the Phils., Inc. (CIP), Antonio M. Garcia, Rolando P. Navarro and Jaime Y. Gonzales. According to the plaintiff, it allegedly suffered damages as a result of defendants' fraudulent act of representing that the CIP shares it purchased from one of the defendants were free from all liens and encumbrances other than those stated in the deed of sale. On September 4, 2000, the Regional Trial Court (RTC) ruled sustaining the petition of the plaintiff ordering the defendants to solidarily pay the plaintiff the total amount of P269.1 million, which consists of P256.00 million for the value of lost shares minus the balance of the purchase price, P12 million for litigation expenses, P0.1 million for exemplary damages and P1.0 million for attorney's fees. Motions for Reconsideration were filed by the defendants, but were denied by the RTC. The defendants elevated the case to the Court of Appeals, which partially granted the appeal and modified the Decision, in that:

a. CIP and Rolando P. Navarro were exonerated from any liability;
b. Antonio M. Garcia and Jaime Gonzales were ordered to jointly and severally pay Ferro Chemicals, Inc. (i). P 256,255,537.41 for the value of the lost shares minus the balance of the purchase price; (ii). P 100,000.00 as exemplary damages; (iii) P 500,000.00 as attorney's fees; and (iv) costs of suit

Motions for Partial Reconsideration were filed by plaintiff, Antonio M. Garcia and Jaime Gonzales but were denied by the said court. Plaintiff, Antonio M. Garcia and Jaime Gonzales appealed to the Supreme Court, which has yet to resolve the appeals on the merits.

Please take note that the principal litigants in this case are the brothers, Antonio and Ramon M. Garcia. This case is directly related to the GR 112438-39 and GR No. 113394 both dated December 12, 1995 where the High Court resolved the ownership of the 2,061,213 shares in favor of the Consortium of Banks with Jaime Y. Gonzales as the assignee. The decision became final on April 1, 1996.

Item 10. Executive Compensation (Php)

As indicated in Part 1, item1(2)(xiv), LMG only has one professional consultant that oversees its trading operations. It sources the services of Chemical Industries of the Philippines (CIP) for its management and administrative requirements.

Summary of Compensation Table

Officers	Year	Salary	Others	Total
Professional consultant	2011	P299,000.00	P31,700.00	P330,700.00
	2012	598,000.00	13,200.00	611,200.00
	2013	598,000.00	13,200.00	611,200.00

(1) Compensation of Directors

(a) Standard Arrangements - A director present during a board meeting receive a per diem of P3,000.00 for every meeting attended. Members of the Board Audit Committee receive a per diem of P3,000.00 for every meeting attended**.**

(b) Other Arrangements **- None**

(2) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

(a) Any employment contract between the registrant and a named executive officer **- None**
(b) Any compensatory plan or arrangement, including payments to be received from the registrant with respect to a named officer **- None**

(3) Warrants and options outstanding: Repricing

(a) Information on all outstanding warrants or options held by the registrant's CEO, the named executive officers, and all officers and directors as a group - **None**
(b) Exercise price of stock warrants or options - **None**

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security ownership of Certain Records & Beneficial Owners.

As of December 31, 2012, LMG knows of no one who beneficially owns in excess of 5% of LMG's common stock except as set forth in the table below.

Title of class	Name, address of Record owner and relationship with issuer	Name of Beneficial owner and relationship with Record owner	Citizenship	No. of shares held	Percent
Common	Chemical Industries of the Phils 851 A. Arnaiz Avenue,	Chemical Industries of the Phils	Filipino	127,583,458	65.89

	Makati City				
Common	Ground Floor Makati Stock Exchange Building Ayala Corner Makati Avenues Makati City	PCD Nominee Corporation		65,864,026	34.01

The principal shareholders of Chemical Industries of the Phils., Inc. (CIP) are: Philippine Indochem Corp., A2K Holdings Corporation, Chemholdings Corp., RG Holdings Corp. (formerly Chemphil Export & Import Corp.), and PCD Nominee Corporation. The shareholdings of the abovementioned shareholders comprise more than 97% of the outstanding shares of stock of CIP.

There are no persons or other group aside from the above known to be directly or indirectly the record or beneficial owner of more than 5% of any class of registrant's voting securities.

*In the July 7, 2005 Stockholders' Meeting, Mr. Antonio M. Garcia was granted the proxy to represent and vote the shares of CIP in LMG. Further, Ms. Alexandra G. Garcia was granted the proxy to represent and vote the shares of 3G Holdings Corp in LMG.

The proxy validation was conducted on April 22, 2005, where proxies were submitted as required by SEC Memorandum Circular No. 5, series of 1996.

2.) Security Ownership of Management

Title of class	Name of beneficial owner	Amount and nature of beneficial owner	Citizenship	Percent of class
Common	Antonio M. Garcia	29 "R"/"B"	Filipino	0%
Common	Jose Ricardo Garcia	2 "R"/"B"	Filipino	0%
Common	Ana Maria G. Ordoveza	1 "R"/"B"	Filipino	0%
Common	Alexandra G. Garcia	1 "R"/"B"	Filipino	0%

There are no persons or other group aside from the above known to be directly or indirectly the beneficial owner of registrant's voting securities.

3.) Voting Trust of Holders of 5% or more

No voting Trust Agreement was entered into by persons holding more than 5% of the shares. Individual shareholders own only less than 1% of the shares.

4.) Changes in Control

None

Item 12. Certain Relationships and Related Transactions

1.) Related party disclosures

The Company, in the ordinary course of business, have mutual but arms-length transactions – such as purchase of merchandise inventories, short-term lending/borrowing; sourcing of services of CIP and other affiliates, etc.

LMG purchased merchandise inventories worth P1.39 million from CMC 2011. There were no purchases in 2012.

In 2009, LMG declared cash dividends amounting to P 222,971,070, which was then offset against the outstanding advances to shareholders amounting to P 344,041,373. The unpaid portion as of December 31, 2009 amounted to P 121,070,303. Also in 2009, the BOD approved the assignment of receivable from Chemoil amounting to P 44,367,750 to the Company's shareholders, in proportion to their shareholdings with the Company.

Outstanding due from shareholders of the Company which are due and demandable amounted to P242,006,263 and P241,855,083 as of December 31, 2012 and 2011, respectively.

PART IV – CORPORATE GOVERNANCE

a. Evaluation System Established by the Company to Determine Level of Compliance of the Board of Directors and Top-Level Management with its Manual of Corporate Governance

In general, the Corporate Governance Manual of LMG provides under Section 3.3 that everyone in the organization should exercise oversight role in their respective vantage perspective and position to remind all parties concerned to abide by the Corporate Governance Manual and to report to the Compliance Committee all gross violations, irresponsible and continuing negligence on the part of those who should implement or abide by the Manual.

The Company established the Compliance Management Committee on Good Governance composed of 5 members whose task is to ensure the full implementation of and adherence to the Manual on Good Governance. The members are:

Chairman	:	Legal Services Head
Members	:	Group Controller
		Management Information Systems Head
		Corporate Affairs, Marketing Research and Information Services Head
		Internal Audit Services Head

The Compliance Management Committee was tasked to receive communications on all aspects of Corporate Governance from any party and to respond to these as the competent body tasked to monitor compliance.

A Board Audit Committee was likewise instituted to secure a transparent financial management system that will safeguard the integrity of the internal control of the corporation. The Board Audit Committee acts as the body that ensures compliance by the Board of Directors and top level management to the Manual on Good Governance. It is composed of at least 3 Board members with an independent director acting as Chairman. The members of the Board Audit Committee are:

Chairman	:	Mr. Augusto P. Nilo (Independent Director)
Members	:	Mr. Jesus N. Alcordo
		Mr. Jose Ricardo G. Garcia

The Board Audit Committee requires the accomplishment report of the Internal Auditor on tasks relating to internal controls and that of the Compliance Management Committee on Good Governance on matters that have been reported to it.

b. Measures being undertaken by the Company to Fully Comply with the Adopted Leading Practices on Good Corporate Governance

The Company has incorporated all existing policies, systems and procedures that embody best practices applicable to the Company into The Corporate Governance Systems and Procedures.

The Corporate Governance Systems and Procedures is a compilation of documents that address the management and internal control of key areas of operations. They underlie corporate policies that serve to guide organizational behavior that upholds sound and ethical practice. These Policies, Systems and Procedures are updated from time to time to be adaptable to changing conditions. The Internal Audit Group who in turn is monitored by the Compliance Management Committee regularly reviews compliance. The Board Audit Committee, on the other hand, monitors the Compliance Management Committee.

c. Any Deviation from the Company's Manual of Corporate Governance

As reported by the Compliance Management Committee in its certification to SEC in January 2011, for 2010, the corporation has implemented its Corporate Governance manual and insured that checks and balances are in place.

d. Any Plan to Improve Corporate Governance of the Company

The Compliance Management Committee has conducted seminars in all business stations, not only of the listed corporation but also of the whole Chemphil Group to disseminate the importance and principles of corporate governance and to reinforce the policies embodied in the manual.

The Chemphil Group has also undertaken steps to ensure that all affiliates of the group have their own manuals of good governance though they are not listed. These affiliates are CAWC, Inc, CMC and Kemwater Phils. Corp.

The Compliance Management Committee submits regular quarterly reports to the Senior Management Committee and to the Board Audit Committee. Moreover, it submits a year-end report to the members of the Board of Directors.

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits – See accompanying Index to Exhibits

(b) Reports on SEC Form 17-C

The reports on the Form 17-C (Current Report) that were filed during the last six-month period of 2012 are as follows:

Date filed	Description
08.23.12	Notice of non-holding of Annual Stockholders' Meeting as scheduled for 3rd Thursday of September 2012 due to the unexpected non-quorum due to unavailability of the Company's stockholders and directors
11.13.12	Notice of non-holding of Annual Stockholders' Meeting as scheduled for 3rd Thursday of September 2012 due to the non0quorum due to unavailability of the Company's stockholders and directors.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______________________ on APR 3 0 2013, 2013.

By:

ANA MARIA G. ORDOVEZA
Principal Executive Officer

RANDOLPH M. AGUIRRE
Group Controller/Principal Accounting Officer

ALEXANDRA G. GARCIA
Chief Operating Officer

JAY FRANCIS P. BALTAZAR
Head - Legal services

Note: The Company has no Chief Financial Officer

SUBSCRIBED AND SWORN to before me this _____ day of APR 3 0 2013 2013 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	TIN
ANA MARIA G. ORDOVEZA	115-328-673
ALEXANDRA G. GARCIA	150-205-620
RANDOLPH M. AGUIRRE	115-327-794
JAY FRANCIS P. BALTAZAR	220-836-119

Doc. No.: 93;
Page No.: 20;
Book No.: 111;
Series of 2013.

ANTONIO M. SANTOS
Notary Public Until Dec. 31, 2013
Roll No. [illegible] / Lifetime
Notary Public
PTR No. 3287797/ Makati City, Jan. 2, 2013
IBP Lifetime Membership No. 36917
MCLE Compliance No. III-0015877
845 Pasay Road Makati City

LMG CHEMICALS CORP.

Schedule A. Financial Assets

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
NOT APPLICABLE				

LMG CHEMICALS CORP.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
3G HOLDINGS - STOCKHOLDERS	62,636,376					62,636,376	62,636,376
CHEMICAL INDUSTRIES OF THE PHILS.	179,033,746					179,033,746	179,033,746
OTHERS - STOCKHOLDERS	184,962					184,962	184,962
CHEMPHIL MANUFACTURING CORP.		151,179				151,179	151,179
	241,855,083	**151,179**	**-**	**-**	**-**	**242,006,262**	**242,006,262**

LMG CHEMICALS CORP.

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
NOT APPLICABLE							
	-					-	-

LMG CHEMICALS CORP.

Schedule D. Intangible Assets - Others Assets

Description	Beginning balance	Additions at cost	Chared to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
			NOT APPLICABLE			
	-					-

LMG CHEMICALS CORP.

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
NOT APPLICABLE			

LMG CHEMICALS CORP.

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
NOT APPLICABLE		
	-	-

LMG CHEMICALS CORP.

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Name of guarantee
NOT APPLICABLE				
	-			-

LMG CHEMICALS CORP.

Schedule H. Capital Stock

Title of issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and employees	Others
CAPITAL STOCK	200,000,000	193,544,176	-	143,163,160	101	50,380,915

STATEMENT OF MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL STATEMENTS

The management of **LMG CHEMICALS CORP.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature____________________
ANA MARIA G. ORDOVEZA
Chairman of the Board/President

Signature____________________
ALEXANDRA G. GARCIA
Chief Operating Officer

Signature____________________
RANDOLPH M. AGUIRRE
Group Controller

Signed this _____ day of April 2013

Subscribed and sworn before me this ________ day of APR 29 2013 2013 affiant(s) exhibiting to me his/their taxpayer identification numbers (TIN) as follows:

NAMES	TIN
ANA MARIA G. ORDOVEZA	115-328-673
ALEXANDRA G. GARCIA	150-205-620
RANDOLPH M. AGUIRRE	115-327-794

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Page No. 22
Book No. XVII
Series No. 2013

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2014
IBP No. 656155-Lifetime Member
MCLE Compliance No. III-0014282
Appointment No. M-199-(2013-2014)
PTR No. 3664330 Jan. 2, 2013
Makati City Roll No. 40091
101 Urban Ave., Brgy. Pio del Pilar,
Makati City

COVER SHEET

4 2 0 - 2 0

L M G   C H E M I C A L S   C O R P .

(Company's Full Name)

C h e m p h i l   B u i l d i n g ,   8 5 1   A .   A r n a i z

A v e n u e ,   L e g a s p i   V i l l a g e ,

M a k a t i   C i t y

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

Alexandra G. Garcia
(Contact Person)

(02) 818-8711
(Company Telephone Number)

1 2 | 3 1
Month *Day*
(Calendar Year)

A A F S
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not applicable
Amended Articles Number/Section

Total Amount of Borrowings

24
Total No. of Stockholders

– Domestic

– Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
LMG Chemicals Corp.
Chemphil Building, 851 A. Arnaiz Avenue
Legaspi Village, Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of LMG Chemicals Corp., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LMG Chemicals Corp. as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 14 and 15 to the financial statements, respectively, are presented for purposes of filing with the Bureau of Internal Revenue and are not required parts of the basic financial statements. Such information is the responsibility of the management of LMG Chemicals Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 012-082-670
BIR Accreditation No. 08-001998-63-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669664, January 2, 2013, Makati City

April 30, 2013

LMG CHEMICALS CORP.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash	**₱181,411**	₱96,655
Trade and other receivables	**5,521**	3,249,266
Due from related parties (Note 4)	**242,006,263**	241,855,083
Other current assets	**218,255**	61,213
TOTAL ASSETS	**₱242,411,450**	₱245,262,217
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 5)	**₱249,334**	₱437,900
Due to related parties (Note 4)	**12,684**	828,739
Total Current Liabilities	**262,018**	1,266,639
Equity		
Capital stock - ₱1 par value		
Authorized - 200,000,000 shares		
Issued - 193,644,204 shares (held by 24 and 16 equity holders in 2012 and 2011, respectively; Note 6)	**193,644,204**	193,644,204
Additional paid-in capital	**51,480,533**	51,480,533
Retained earnings (deficit):		
Appropriated (Note 6)	**289,000**	289,000
Deficit	**(2,975,305)**	(1,129,159)
	242,438,432	244,284,578
Less cost of 100,028 shares held in treasury (Note 6)	**289,000**	289,000
Total Equity	**242,149,432**	243,995,578
TOTAL LIABILITIES AND EQUITY	**₱242,411,450**	₱245,262,217

See accompanying Notes to Financial Statements.

LMG CHEMICALS CORP.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUE	**₱–**	₱1,688,082	₱17,857
COST OF SALES	–	1,393,718	13,152
GROSS PROFIT	–	294,364	4,705
OPERATING EXPENSES (Note 7)	**(2,165,425)**	(1,335,279)	(53,750)
OTHER INCOME (CHARGES)			
Interest income (Note 8)	**84,635**	601	324
Interest expense	–	(32,658)	–
Other income (expense) - Net (Note 8)	**256,705**	(850)	(450)
LOSS BEFORE INCOME TAX	**(1,824,085)**	(1,073,822)	(49,171)
PROVISION FOR INCOME TAX - Current (Note 9)	**22,061**	6,007	159
NET LOSS	**(1,846,146)**	(1,079,829)	(49,330)
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE LOSS	**(₱1,846,146)**	(₱1,079,829)	(₱49,330)
Basic/diluted loss per share from operations (Note 10)	**(₱0.0095)**	(₱0.0056)	(₱0.0003)

See accompanying Notes to Financial Statements.

LMG CHEMICALS CORP.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Capital Stock	Additional Paid-in Capital	Retained Earnings (Deficit) (Note 6)		Treasury Stock (Note 6)	Total
			Appropriated	Unappropriated		
BALANCES AS OF DECEMBER 31, 2009	**₱193,644,204**	**₱51,480,533**	**₱289,000**	**₱–**	**(₱289,000)**	**₱245,124,737**
Total comprehensive loss for the year	–	–	–	(49,330)	–	(49,330)
BALANCES AS OF DECEMBER 31, 2010	**193,644,204**	**51,480,533**	**289,000**	**(49,330)**	**(289,000)**	**245,075,407**
Total comprehensive loss for the year	–	–	–	(1,079,829)	–	(1,079,829)
BALANCES AS OF DECEMBER 31, 2011	**193,644,204**	**51,480,533**	**289,000**	**(1,129,159)**	**(289,000)**	**243,995,578**
Total comprehensive loss for the year	–	–	–	(1,846,146)	–	(1,846,146)
BALANCES AS OF DECEMBER 31, 2012	**₱193,644,204**	**₱51,480,533**	**₱289,000**	**(₱2,975,305)**	**(₱289,000)**	**₱242,149,432**

See accompanying Notes to Financial Statements.

LMG CHEMICALS CORP.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱1,824,085)**	(₱1,073,822)	(₱49,171)
Adjustments for:			
Interest income (Note 8)	**(84,635)**	(601)	(324)
Interest expense	**–**	32,658	–
Operating loss before working capital changes	**(1,908,720)**	(1,041,765)	(49,495)
Decrease (increase) in:			
Receivables	**3,243,745**	(162,625)	–
Other current assets	**(157,042)**	(61,213)	–
Increase (decrease) in accounts payable and accrued expenses	**(188,566)**	437,900	–
Cash flows from (used in) operations	**989,417**	(827,703)	(49,495)
Interest received	**84,635**	601	324
Income taxes paid, including creditable withholding and final taxes	**(22,061)**	(6,045)	(121)
Net cash flows from (used in) operating activities	**1,051,991**	(833,147)	(49,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of advances from related parties	**(816,055)**	–	–
Advances to related parties	**(151,180)**	–	–
Advances from related parties	**–**	796,081	183,013
Net cash flows from (used in) financing activities	**(967,235)**	796,081	183,013
NET INCREASE (DECREASE) IN CASH	**84,756**	(37,066)	133,721
CASH AT BEGINNING OF YEAR	**96,655**	133,721	–
CASH AT END OF YEAR	**₱181,411**	₱96,655	₱133,721

See accompanying Notes to Financial Statements.

1. **Corporate Information, Status of Operations and Authorization for Issuance of the Financial Statements**

Corporate Information
LMG Chemicals Corp. (the Company), a 73.93% - owned subsidiary of Chemical Industries of the Philippines, Inc. (CIP), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 12, 1970 primarily to engage in the manufacture of industrial chemicals. Starting 2009, upon divestment of its subsidiaries, the Company's operations have shifted to trading. The registered office address of the Company is Chemphil Building, 851 A. Arnaiz Avenue, Legaspi Village, Makati City.

Status of Operations
The Company has no trading operation in 2012, hence, the Company incurred a net loss of ₱1,846,146. This resulted to an increase in its deficit from ₱1,129,159 as of December 31, 2011 to ₱2,975,305 as of December 31, 2012. The Company is still in a positive equity position of ₱242,149,432 and has a positive cash flow of ₱84,756 as of December 31, 2012.

For 2013, the Company will continue with its trading activities and will continue to look for additional products for trading.

Authorization for Issuance of the Financial Statements
The financial statements as at December 31, 2012 and 2011 and for the years then ended, were authorized for issuance by the Board of Directors (BOD) on April 30, 2013.

2. **Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation
The financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso, unless otherwise stated.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS effective beginning January 1, 2012.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*, require additional disclosures about financial assets that have been transferred but not derecognized to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The adoption of the amendments did not have any impact on the Company's financial position or performance.

- Amendment to Philippine Accounting Standards (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*, clarifies the determination of deferred income tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The adoption of this amendment did not have any impact on the Company's financial position or performance.

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2012

The Company will adopt the standards, interpretations and amendments enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new changes in PFRS to have a significant impact on the financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

Effective in 2013

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Government Loans*, require first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. As a result of not applying PFRS 9, *Financial Instruments*, and PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, retrospectively, first-time adopters will not have to recognize the corresponding benefit of a below-market rate government as a government grant.

- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

  The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standards Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard is not expected to have a significant impact on the Company's financial position or performance.

- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact on the Company's financial position or performance.

- PFRS 12, *Disclosure of Interests in Other Entities*, includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of this standard will have no impact on the Company's financial statements.

- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

- Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*, change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments will affect presentation only and will have no impact on the Company's financial position or performance.

- Revised PAS 19, *Employee Benefits*, range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amended standard is not expected to have significant impact on its financial statements.

- Revised PAS 27, *Separate Financial Statements*, as a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment, which becomes effective for annual periods beginning on or after January 1, 2013, will have no impact on the Company's financial statements.

- Revised PAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment will have no impact on the Company's financial statements.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. This interpretation is not relevant to the Company, and will, therefore, have no impact on the Company's financial statements.

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*, clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments will have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment has no impact on the Company's financial position or performance.

Effective in 2014
- Amendments to PAS 32, *Financial Instruments: 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 affect presentation only and have no impact on the financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company expects that this interpretation will not have a significant impact on its financial position or performance.

Effective 2015
- PFRS 9, *Financial Instruments: Classification and Measurement*, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurement of financial liabilities. The Company, however, has yet to conduct a quantification of the full impact of the standard. The Company will quantify the effect in conjuction with the other phases, when issued, to present a comprehensive picture.

Deferred Effectivity
- Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Company expects that this interpretation will not have a significant impact on its financial position or performance.

Cash
Cash consists of cash in banks.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of

financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial recognition of financial instruments
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit and loss (FVPL). Fair value is determined by reference to the transaction price or other market prices of similar instruments. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Determination of fair value
The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business at the end of reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flows analysis or other valuation models.

The inputs and assumptions used in the valuation techniques are based on market observable data and condition and reflect appropriate adjustments for credit and liquidity risks existing at each of the periods indicated.

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

Financial assets are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, or available-for-sale (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 Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting period.

As of December 31, 2012 and 2011, the Company's financial assets and financial liabilities consist only of loans and receivables and other financial liabilities. The Company has no financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

a. Loans and Receivables

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables.

   Loans and receivables are carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method.

Gains and losses are recognized in profit or loss 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 reporting period. Otherwise, these are classified as noncurrent assets.

Included under this category are the Company's cash and trade receivables as of December 31, 2012 and 2011 (see Note 11).

b. Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading and are not designated as at FVPL upon the inception of the liability. These include liabilities arising from operating (e.g., accounts payable and accrued expenses) and financing (e.g., short and long-term borrowings) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss presented in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Accounts payable and accrued expenses and due to related parties are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

As of December 31, 2012 and 2011, the Company has classified accounts payable and accrued expenses and due to related parties as other financial liabilities.

Derecognition of Financial Instruments

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

- the contractual right to receive cash flows from the financial asset has expired;
- the Company retains the right to receive cash flows from the financial 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 Company has transferred its right to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability at fair value, and the difference in the respective carrying amounts is recognized in profit or loss.

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss, if any, is recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, past due status, and terms.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the statement of comprehensive income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in profit or loss under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

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

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 the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Treasury Shares
The Company's common shares which are reacquired and recorded at cost (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of the Company's common shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

Retained Earnings (Deficit)
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Dividend Distributions
Dividends on common shares are recognized as a liability and deducted from equity when approved by the shareholders of the Company.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company has assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent and concluded that it is acting as a principal in all its arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sales
Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Sales are measured at fair value of the consideration received or receivable, excluding value-added tax (VAT), and taking into account the amount of any sales discount and allowances allowed by the Company.

Interest income

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

Cost and Expenses
Cost and expenses are recognized in profit or loss 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 as expense when the related goods are sold.

Operating expenses
Operating expenses constitute costs of administering the business and are expensed as incurred.

Borrowing costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of fund. Borrowing costs are generally expensed in the period they occur and presented as "Interest expense" in the statement of comprehensive income.

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Deferred income tax
Deferred income tax is provided on all temporary differences at the end of reporting period 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. Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and of unused tax credits from the excess of the MCIT over RCIT and NOLCO can be utilized. Deferred income tax assets and liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting period and reduced 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 asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled based on the tax rates that have been enacted or substantively enacted at the end of reporting period. Unrecognized deferred income tax assets are remeasured at each reporting period, and are recognized to the extent that it has become probable that sufficient future taxable income will allow all or part of the deferred income tax assets to be recovered.

Income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

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

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

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding during the year and adjusted for the effects of all dilutive potential common shares, if any.

Events After the Reporting Period
Events after the reporting period that provide additional information about the Company's position at the end of reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). The Company has only one reportable segment which is its trading activity.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in compliance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances that are believed to be reasonable as of the date of the financial statements. While the Company believes that the assumptions are reasonable and appropriate, differences in the actual experience or changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

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

Determination of Company's functional currency
The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Use of the going concern assumption
The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. The underlying assumption in the preparation of financial statements is that the Company has neither the intention nor the need to liquidate. Management takes into account a whole range of factors which include, but are not limited to, current and expected profitability, repayments of liabilities and potential sources of additional financing.

Classification of financial instruments
The Company classifies a financial instrument, or its components, 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 statement of financial position.

The Company did not consider its receivables from stockholders as a financial asset because it does not expect to collect these receivables in the form of another financial asset. The balance of "Due from shareholders of the Company" account amounted to ₱242,006,263 and ₱241,855,083 as of December 31, 2012 and 2011, respectively. The classification of the various financial instruments of the Company is disclosed in Note 11.

Contingencies
a. The Company is a defendant in various court cases and labor claims. It is the opinion of management that settlement costs, if any, will not materially affect the Company's financial position and operating results.

b. The Company has pending deficiency tax assessments covering certain years. Management believes that the ultimate outcome of these assessments, if any, would not materially affect the Company's financial position or operating results.

Significant Accounting 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 is revised if the revision affects 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 uncertainty at the reporting period 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:

Estimation of allowance for doubtful accounts
The Company evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Company uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectibility of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated.

In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical default experience.

The Company did not provide valuation allowance on receivables as of December 31, 2012 and 2011. Receivables amounted to ₱5,521 and ₱3,249,266 as of December 31, 2012 and 2011, respectively.

Estimation of provision for impairment of due from related parties
The carrying values of due from related parties are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indicators exist, impairment testing is performed. This requires an estimation of the recoverable amount which is the higher of an asset’s or cash-generating unit’s fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Company to estimate the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Company could obtain as of the end of reporting period.

Based on management’s assessment, the Company’s due from related parties are not impaired as of December 31, 2012 and 2011. The carrying values of due from related parties amounted to ₱242,006,263 and ₱241,855,083 as of December 31, 2012 and 2011, respectively (see Note 4).

Recognition of deferred income tax assets
The Company reviews the carrying amounts at each reporting period and adjusts the balance of 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. The Company did not recognize any deferred income tax assets on its NOLCO and MCIT as of December 31, 2012 and 2011 (see Note 10).

4. **Related Party Transactions**

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The following are the transactions with related parties and their account balances:

Category	Year	Amount	Outstanding Balance	Terms	Condition
Due from shareholders					
Chemical Industries of the Philippines	**2012**	**₱–**	**₱179,033,746**	**Non-interest bearing, due**	**Unsecured/ no impairment**
	2011	–	179,033,746	**and demandable**	
3G Holdings	**2012**	**–**	**62,636,376**	**-do-**	**-do-**
	2011	–	62,636,376	-do-	-do-
Other shareholders	**2012**	**–**	**184,961**	**-do-**	**-do-**
	2011	–	184,961	-do-	-do-
Due from subsidiary of Parent Company					
Chemphil Manufacturing Corp.	**2012**	**151,180**	**151,180**	**Non-interest bearing, due and demandable**	**Unsecured/ no impairment**
	2011	–	–		
	2012		**₱242,006,263**		
	2011		₱241,855,083		
Due to related parties					
Chemical Industries of the Philippines	**2012**	**₱12,334**	**₱12,334**	**Non-interest bearing, due**	**Unsecured**
	2011	2,091	2,091	**and demandable**	
Chemphil Manufacturing Corp.	**2012**	**3,623,618**	**–**	**–**	**–**
	2011	826,478	826,478	1 year; 6% per annum	Unsecured
Others	**2012**	**180**	**350**	**Non-interest bearing, due and demandable**	**-do-**
	2011	170	170		
	2012		**₱12,684**		
	2011		₱828,739		

5. **Accounts Payable and Accrued Expenses**

	2012	2011
Trade payables	**₱–**	₱213,500
Accrued expenses	**203,083**	219,600
Others	**46,251**	4,800
	₱249,334	₱437,900

The normal credit terms from the Company's suppliers range from 30 to 60 days. Other payables pertain to various liabilities to government agencies.

6. **Equity**

a. The Company was listed with the SEC and the Philippine Stock Exchange (PSE) on January 7, 1986 with total listed shares of 193,644,204. As of December 31, 2012 and 2011, the Company has a total of 24 and 16 shareholders on record, respectively.

b. During the September 22, 2011 stockholders' meeting, the Company's major stockholders agreed to sell 10% of their respective shareholdings in the Company to the public to comply with the PSE rules and regulations on minimum public ownership. As of December 31, 2012, the Company's shares were already 34% owned by the public, thus, complying with said PSE requirement.

c. Appropriated retained earnings amounting to ₱289,000 as of December 31, 2012 and 2011 pertains to the cost of treasury shares.

7. Operating Expenses

	2012	2011	2010
Outside services	**₱1,593,311**	₱953,050	₱–
PSE listing fee	**250,000**	250,000	–
Fees and allowances	**177,072**	82,993	48,700
Taxes and licenses	**75,678**	37,297	5,050
Insurance	**1,014**	1,014	–
Travel	**1,010**	86	–
Communication, light and water	**250**	510	–
Others	**67,090**	10,329	–
	₱2,165,425	₱1,335,279	₱53,750

8. Interest and Other Income

The Company's interest income amounted to ₱84,635, ₱601 and ₱324 for the years ended December 31, 2012, 2011 and 2010, respectively. In 2012, the Company collected receivables that it assigned to certain stockholders in prior years. The amount collected was temporarily placed in short-term investments earning interest at rates ranging from 1.40% to 2.98% and amounted to ₱78,750. The amount collected was remitted to the stockholders also in 2012. Interest income in 2011 and 2010 pertain only to interest earned from cash in banks at the respective bank deposit rates.

Other income in 2012 pertains to excess cash retained by the Company from the collections made as these were not part of the receivables assigned to the stockholders.

9. Income Taxes

a. The components of the Company's provision for income tax - current are as follow:

	2012	2011	2010
MCIT	**₱5,134**	₱5,887	₱94
Final tax on interest income	**16,927**	120	65
	₱22,061	₱6,007	₱159

b. The reconciliation of the benefit from income tax at statutory rate and the provision for income tax shown in the statements of comprehensive income follows:

	2012	2011	2010
Benefit from income tax computed at statutory income tax rate	**(₱547,226)**	(₱322,147)	(₱14,751)
Adjustments for:			
MCIT and NOLCO for which no deferred income tax assets were recognized in current year	**577,750**	328,214	14,942
Interest income subjected to final tax	**(25,390)**	(180)	(97)
Final tax on interest income	**16,927**	120	65
Provision for income tax	**₱22,061**	₱6,007	₱159

c. As of December 31, 2012, the Company's NOLCO and MCIT available for deduction from future taxable income and regular corporate income tax due, respectively, are as follow:

Year Incurred	NOLCO	MCIT	Available Until
2010	₱49,495	₱94	2013
2011	1,074,423	5,887	2014
2012	1,908,720	5,134	2015
	₱3,032,638	₱11,115	

The Company did not recognize deferred income tax assets on NOLCO and MCIT as management believes that taxable profit in the future will not be sufficient to allow these NOLCO and MCIT to be utilized prior to their expiration.

10. Loss Per Share

Basic/diluted loss per share attributable to the Company's stockholders were computed as follows:

	2012	2011	2010
Net loss attributable to equity holdings of the Company from operations	**(₱1,846,146)**	(₱1,079,829)	(₱49,330)
Weighted average number of shares:			
Issued	**193,644,204**	193,644,204	193,644,204
Held in treasury	**(100,028)**	(100,028)	(100,028)
	193,544,176	193,544,176	193,544,176
Loss per share from operations	**(₱0.0095)**	(₱0.0056)	(₱0.0003)

The Company has no dilutive potential common shares as of December 31, 2012, 2011 and 2010. Thus, the basic and diluted loss per share are the same for each of the years presented.

11. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise of cash in bank. The Company also has trade receivables and due to related parties arising directly from its operations.

It is, and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is credit risk. The BOD reviews and approves on certain policies for managing some of these risks and they are summarized as follow:

Credit risk
Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.
The Company's remaining receivables consist of trade receivables. These trade receivable balances are monitored on a continuous basis with the result that the Company's exposure to bad debts is not significant.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statements of financial position as of December 31:

	2012	2011
Cash	**₱181,411**	₱96,655
Trade receivables	**5,521**	5,521
Total credit risk exposure	**₱186,932**	₱102,176

Due from the shareholders of the Company are excluded from the Company's financial assets. The Company believes that these receivables are not expected to be collected in the form of any other financial assets.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The credit quality of financial assets is managed by the Company using internal credit ratings. The table below shows the credit quality by class of asset for loan-related accounts based on the Company's internal credit ratings.

December 31, 2012

	High Grade	**Standard Grade**	**Past Due**	**Total**
Cash	**₱181,411**	**₱–**	**₱–**	**₱181,411**
Trade receivables	**–**	**–**	**5,521**	**5,521**
Total	**₱181,411**	**₱–**	**₱5,521**	**₱186,932**

December 31, 2011

	High Grade	Standard Grade	Past Due	Total
Cash	₱96,655	₱–	₱–	₱96,655
Trade receivables	5,521	–	–	5,521
Total	₱102,176	₱–	₱–	₱102,176

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under Sub-standard grade receivables. Past due receivables include those that are past due but are still collectible.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company avails credit facilities from related parties and maximizes the net cash inflows from operations to finance its working capital requirements.

December 31, 2012

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Financial assets:						
Loans and receivables:						
Cash	**₱181,411**	**₱–**	**₱–**	**₱–**	**₱–**	**₱181,411**
Trade receivables	**5,521**	–	–	–	–	**5,521**
Total undiscounted financial assets	**186,932**	–	–	–	–	**186,932**
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	–	**244,733**	–	–	–	**244,733**
Due to related parties	–	–	**12,684**	–	–	**12,684**
Total undiscounted financial liabilities	–	**244,733**	**12,684**	–	–	**257,417**
Liquidity position (gap)	**₱186,932**	**(₱244,733)**	**(₱12,684)**	**₱–**	**₱–**	**(₱70,485)**

December 31, 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets:						
Loans and receivables:						
Cash	₱96,655	₱–	₱–	₱–	₱–	₱96,655
Trade receivables	–	5,521	–	–	–	5,521
Total undiscounted financial assets	96,655	5,521	–	–	–	102,176
Financial liabilities:						
Other financial liabilities:						
Accounts payable and accrued expenses	–	433,100	–	–	–	433,100
Due to related parties	–	–	828,739	–	–	828,739
Total undiscounted financial liabilities	–	433,100	828,739	–	–	1,261,839
Liquidity position (gap)	₱96,655	(₱427,579)	(₱828,739)	₱–	₱–	(₱1,159,663)

12. Financial Instruments

The carrying amounts of the financial assets and liabilities approximate their fair values because of their short-term nature.

The Company has no financial assets and liabilities measured at fair value, thus, disclosure on fair value hierarchy is not applicable.

13. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objectives of the Company's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes as of December 31, 2012 and 2011.

The following table summarizes the total capital considered by the Company:

	2012	2011
Capital stock	**₱193,644,204**	₱193,644,204
Additional paid-in capital	**51,480,533**	51,480,533
Deficit	**(2,686,305)**	(840,159)
Treasury shares	**(289,000)**	(289,000)
	₱242,149,432	₱243,995,578

Other than the minimum public ownership requirement disclosed in Note 7, the Company is not subject to any other externally imposed capital requirements.

14. Supplementary Information Required Under Revenue Regulations (RR) 19-2011

The Company reported the following schedules and information on taxable income and deductions to be taken for the taxable year 2012:

a) The Company has taxable income not subjected to final tax to be taken in 2012 amounting to ₱256,705.

b) The Company's itemized deductions are as follow:

Other services	₱1,593,311
Salaries and allowances	177,072
Taxes and licenses	75,678
Insurance	1,014
Transportation and travel	1,010
Communication, light and water	250
Miscellaneous	67,090
Others:	
PSE listing fee	250,000
	₱2,165,425

Taxes and Licenses
Taxes and licenses schedule is presented in the supplementary information required under RR No. 15-2010 (see Note 15).

15. Supplementary Information Required Under RR 15-2010

The Company reported and/or paid the following types of taxes in 2012:

a. Details of input taxes in 2012 are as follow:

Balance at January 1	₱50,277
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	129
Services lodged under other account	162,007
Balance at December 31	₱212,413

b. Other taxes and licenses paid in 2012 are as follow:

Municipal license	₱41,640
Others	34,038
	₱75,678

c. Expanded withholding taxes paid in 2012 amounted to ₱4,600.

d. The Company has neither final tax assessments nor cases under litigation and/or prosecution in courts or bodies outside the BIR.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
LMG Chemicals Corp.
Chemphil Building, 851 A. Arnaiz Avenue
Legaspi Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of LMG Chemicals Corp. as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A, and have issued our report thereon dated April 30, 2013. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
SEC Accreditation No. 0660-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 012-082-670
BIR Accreditation No. 08-001998-63-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669664, January 2, 2013, Makati City

April 30, 2013

LMG CHEMICALS CORP.
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

Schedule of all the effective standards and interpretations under PFRS as of December 31, 2012

Reconciliation of Retained Earnings available for Dividend Declaration (Part 1, 4C; Annex 68-C)

LMG CHEMICALS CORP.

SUPPLEMENTARY SCHEDULE REQUIRED UNDER SECURITIES REGULATION CODE RULE 68, AS AMENDED (2011)

DECEMBER 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
PAS 12	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2012**		**Adopted**	**Not Early Adopted**	**Not Applicable**
	Financial Reporting in Hyperinflationary Economies			
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

LMG CHEMICALS CORP.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF DECEMBER 31, 2012

There is no retained earnings available for dividend declaration at the beginning and end of the year since the Company is in a deficit position (₱2,975,305 and ₱1,129,159 as of December 31, 2012 and 2011, respectively).

LMG CHEMICALS CORPORATION
AGING OF ACCOUNTS RECEIVABLE-TRADE
AS OF DECEMBER 31, 2012

CUSTOMER	TOTAL AMOUNT	CURRENT	01 - 30 days	31 - 60 days	61 - 90 days	91-120 days	121-180 days	Over 180 Days
PHIL. PHOSPHATE FERT. CORP.	5,521.41		-	-	-	-	-	5,521.41
TOTAL........	5,521.41	-	-	-	-	-	-	5,521.41

LMG CHEMICALS CORP.
Map showing the relationship between and among the companies in the Group