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# SECURITIES AND EXCHANGE COMMISSION

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Company Information

| | |
|---|---|
| SEC Registration No. | 0000041376 |
| Company Name | SYNERGY GRID & DEVELOPMENT PHILS., INC. |
| Industry Classification | |
| Company Type | Stock Corporation |

**Document Information**

| | |
|---|---|
| Document ID | 111142014001689 |
| Document Type | 17-Q (FORM 11-Q:QUARTERLY REPORT/FS) |
| Document Code | 17-Q |
| Period Covered | September 30, 2014 |
| No. of Days Late | 0 |
| Department | CFD |
| Remarks | |

# COVER SHEET

S.E.C. Registration Number

SYNERGY GRID & DEVELOPMENT PHILS., INC. (formerly: UEM DEVELOPMENT PHILS., INC.

(Company's Full Name)

1607 16TH FLOOR TYCOON CENTER BLDG. CONDOMINIUM PEARL DRIVE, PASIG CITY, METRO MANILA

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

Mark Jayson E. Alapoop
Contact Person

633-9757
Company Telephone Number

12 31
*Month* *Day*
Fiscal Year

SEC Form 17-Q
FORM TYPE

11 14
*Month* *Day*
Annual Meeting

N/A

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**(formerly: UEM Development Phils., Inc.)**
1607, 16th Floor, Tycoon Center Bldg. Condominium
Pearl Drive, Pasig City

14 November 2014

CORPORATE FINANCE DEPARTMENT
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

Attention: Ms. Justina F. Callangan
Director

Re: Synergy Grid & Development Phils., Inc.

Gentlemen:

We submit SEC Form 17-Q (Quarterly Report) of Synergy Grid & Development Phils., Inc. as of 30 September 2014.

Very truly yours,

SYNERGY GRID & DEVELOPMENT PHILS., INC.

By:

MARK JAYSON E. ALAPOOP
*Compliance Officer*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

2. SEC Identification Number: **41376** 3. BIR Tax Identification No.: **000-593-240**

4. Exact name of issuer as specified in its charter: **SYNERGY GRID & DEVELOPMENT PHILS., INC.**

5. Province, country or other jurisdiction of incorporation or organization
**Pasig City, Republic of the Philippines**

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

7. Address of issuer's principal office
**1607, 16th Floor, Tycoon Center Bldg.**
**Condominium Pearl Drive, Pasig City, Metro Manila**
Postal Code
**1605**

8. Issuer's telephone number, including area code
**(632) 584-3930**

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA (as of 31 December 2004)

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common** | **49,466,000** |
| **Outstanding Debts** | **-** |

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

Yes [ **X** ] No [ ]

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 of 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 (12) months (or for such shorter period that the Company was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

## APPLICABLE ONLY TO REGISTRANTS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE (5) YEARS

13. Check whether the registrant 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** ]  This item is not applicable to the Company.

## DOCUMENTS INCORPORATED BY REFERENCE:

The Company likewise attaches to this form and incorporates by reference as a component of Part I hereof its Financial Statements for the third quarter of 2014, period ending September 30, 2014.

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

Synergy Grid & Development Phils., Inc. ("Company") also attaches to this form and incorporates by reference as a component of Part I, its Financial Statements for the 3rd quarter of 2014, period ending September 30, 2014.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

On December 21, 2010, the Company's shareholders approved the increase in the Company's authorized capital stock from P50,000,000.00 million divided into 50,000,000 commonshares at P1 par value per share to P215,000,000.00 divided into 150,000,000 common shares at P1 par value per share and 65,000,000 non-voting preferred shares with a par value of P1 per share. A proposed share swap with the stockholders of OneTaipan Holdings, Inc. (OneTaipan) and Pacifica21 Holdings, Inc. (Pacifica) was likewise approved during the same meeting. On February 16, 2011, the Board passed a resolution authorizing the Company to issue, out of the increase in the authorized capital stock of the Company, 100,000,000 common shares at a price of P20 per share, to the stockholders of OneTaipan and Pacifica in exchange for their shares in OneTaipan and Pacifica.

| **Name of Subscriber** | **Number of Common Shares to be Subscribed from the Increase** |
|---|---|
| Henry Sy Jr. | 63,630,000 |
| Robert Coyuito, Jr. | 36,370,000 |
| Total | 100,000,000 |

However, as at December 31, 2013, the share swap agreement has not yet been effected as one of the major conditions to complete the transaction, as agreed upon by the parties, is still pending and as such, the management is taking the position that the shares issued out of the increase in authorized capital stock should not yet be reported.

Upon effectivity of the share swap, the Company will own 68.34% of Pacifica and 100% of OneTaipan.

There are no transactions between the Company and any of its directors, executive officers, or stockholders owning more than five (5%) of its outstanding capital stock and any member of their immediate family.

The Company has no subsisting construction, consultancy, sub-contracting, supply, sales or other major agreements with any party. It has no material commitment for any capital expenditure.

As of September 30, 2014, the Company has one (1) employee, a Financial Comptroller but has plans to hire additional employees.

There are no major risks that the Company is involved in other than the credit and liquidity risks discussed in Note 13 of the Notes to Financial Statements.

In addition to the information disclosed above, the Company further discloses that:

a. The Company does not anticipate any cash flow or liquidity problem within the next 12 months. The Company is not in default in any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

b. The Company does not have or is not aware of any trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

c. At present, the Company has no material commitments for any capital expenditure.

d. There are no significant elements of income or loss that did not arise from its operations. For the past several years, the Company has continuously sustained losses due to lack of income stream attributable to its non-operation. The Company's proposed corporate re-organization and diversification of its business is intended to improve the Company's performance and address its current financial losses.

e. All expenses of the Company are current and the Company does not expect any direct or contingent financial obligation that is substantial or material.

f. The following is an explanation of material changes in certain items of the Company's financial statements:

***<u>Nine months ended September 30, 2014 compared with Nine months ended September 30, 2013</u>***

***Cash and cash equivalents***
Cash and cash equivalents as of September 30, 2014 amounted to P5.89 million, 41.48% below the P10.07 million as of September 30, 2013. This is mainly due to the operating expenses incurred over the period.

***Other current assets***
As of September 30, 2014, the Company recorded other current assets of P.37 million as compared P2.34 million as of September 30, 2013, a decrease of 84.14% due to provision on allowance on impairment of input tax.

***Property and equipment - net***
The decrease in property and equipment amounting to P.47 million or 48.31% as compared to the balance as of September 30, 2013 represents depreciation of property and equipment and amortization of computer software.

*Income*
Interest income for the nine months ended September 30, 2014 amounted to P.02 million, 86.23% lower than the P.17 million in the same period in 2013 due to lower cash placed in short-term investments and lower interest rates.

*Operating expenses*
For the nine months ended September 30, 2014, the Company incurred expenses such as filing fees, salaries and wages, professional fees, taxes and licenses and other operating expenses totaling to P5.39 million, which is almost the same as compared to P5.47 million in the same period in 2013.

***Nine months ended September 30, 2014 compared to Year ended December 31, 2013***

Revenue recognized during the period ending September 30, 2014 and for year ended 2013 arose from interest income from short term placements and savings deposit amounting to P0.02 million and P0.20 million respectively.

Expenses as of September 30, 2014 and December 31, 2013 amounted to P5.39 million and P8.91 million respectively. This resulted to a P0.11 loss per share for the period ended September 30, 2014 compared to P0.12 loss per share for the year 2013.

**Key Performance Indicators**

| Performance Indicators | Formula | 30 September 2013 | 30 September 2014 |
|---|---|---|---|
| Current Ratio | Current Assets /Current Liabilities | 15.06: 1<br>12,412,660 / 824,486 | 59.84 : 1<br>6,264,329 / 104,687 |
| Debt to Equity Ratio | Total Liabilities / Stockholder's Equity | 0.065 : 1<br>824,486 / 12,675,458 | .02 : 1<br>121,478 / 6,729,503 |
| Asset to Equity Ratio | Total Assets / Stockholder's Equity | 1.07: 1<br>13,499,944 / 12,675,458 | 1.02 : 1<br>6,850,981 / 6,729,503 |
| Equity to Debt Ratio | Stockholder's Equity / Total Liabilities | 15.37: 1<br>12,675,458 / 824,486 | 55.40 : 1<br>6,729,503 / 121,478 |
| Book Value per share | Stockholder's Equity / Total number of shares | 0.26: 1<br>12,675,458 / 49,466,000 | 0.14 : 1<br>6,729,503 / 49,466,000 |
| Income (Loss) per share | Net Income (Loss) / Total number of shares | (0.11) : 1<br>(5,294,682) / 49,466,000 | (0.11) : 1<br>(5,365,652) / 49,466,000 |
| Interest Rate Coverage Ratio | EBIT / Interest Expense | N/A | N/A |

*Assets*

Total assets as of September 30, 2014 amounted to P6.85 million, wherein 86.01% represents cash and cash equivalents and 13.99% represents other current and noncurrent assets. As of September 30, 2013, total assets amounted to P13.50 million.

*Liquidity and Capital Resources*

As of September 30, 2014, the Company's current assets exceeded the current liabilities by P6.16 million. The current ratio as of September 30, 2014 increased as compared to September 30, 2013.

| | 30 September 2014 | 30 September 2013 |
|---|---|---|
| Current Assets | P 6,264,329 | P 12,412,660 |
| Current Liabilities | 104,687 | 824,486 |
| Difference | 6,159,642 | 11,588,174 |
| Current Ratio | 59.84 | 15.06 |

## PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

**SIGNATURES**

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

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**

By:

**MARK JAYSON E. ALAPOOP**
*Treasurer/Compliance Officer*

**MA. THERESITA DE GUZMAN YULO**
*Comptroller*

Date: NOV 14 2014

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**(Formerly UEM Development Phils., Inc.)**

INTERIM STATEMENTS OF FINANCIAL POSITION
30 September 2014
(With Comparative figures for 30 September 2013)

| | | **Audited** | | **Unaudited Year to Date** | | |
|---|---|---|---|---|---|---|
| | *Note* | | 31 December 2013 | | 30 September 2013 | | **30 September 2014** |
| **ASSETS** | | | | | | | |
| **Current Assets** | | | | | | | |
| Cash and cash equivalents | *4,13* | P | 11,384,688 | P | 10,070,348 | **P** | **5,892,845** |
| Other current assets - net | *5,13* | | 91,175 | | 2,342,312 | | **371,484** |
| **Total Current Assets** | | | 11,475,863 | | 12,412,660 | | **6,264,329** |
| **Noncurrent Assets** | | | | | | | |
| Property and equipment - net | *6* | | 861,847 | | 982,534 | | **507,902** |
| Other noncurrent assets | *13* | | 78,750 | | 104,750 | | **78,750** |
| **Total Noncurrent Assets** | | | 940,597 | | 1,087,284 | | **586,652** |
| | | P | 12,416,460 | P | 13,499,944 | **P** | **6,850,981** |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current Liabilities** | | | | | | | |
| Accrued expenses and other current liabilities | *7,13* | P | 304,514 | P | 824,486 | **P** | **104,687** |
| **Noncurrent Liabilities** | | | | | | | |
| Deferred tax liability | | | 16,791 | | - | | **16,791** |
| **Total Liabilities** | | | 321,305 | | 824,486 | | **121,478** |
| **Equity** | | | | | | | |
| Capital stock | *11* | | 49,466,000 | | 49,466,000 | | **49,466,000** |
| Deficit | | | (37,370,845) | | (36,790,542) | | **(42,736,497)** |
| **Total Equity** | | | 12,095,155 | | 12,675,458 | | **6,729,503** |
| | | P | 12,416,460 | P | 13,499,944 | **P** | **6,850,981** |

*See Notes to Financial Statements*

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**(Formerly UEM Development Phils., Inc.)**

INTERIM STATEMENTS OF COMPREHENSIVE INCOME
30 September 2014
(With Comparative figures for 30 September 2013)

| | | | Audited | | Unaudited Year to Date | | | Unaudited Quarter Ending | |
|---|---|---|---|---|---|---|---|---|---|
| | *Note* | | 31 December 2013 | | 30 September 2013 | | **30 September 2014** | 30 September 2013 | **30 September 2014** |
| **INCOME** | | | | | | | | | |
| Interest and other income | *4* | P | 3,090,587 | P | 165,253 | **P** | **22,759** | P 26,476 | **P 1,896** |
| **OPERATING EXPENSES** | | | | | | | | | |
| Salaries and wages | *9* | | 3,217,006 | | 2,249,066 | | **2,681,930** | 664,695 | **886,418** |
| Filing fees | | | 1,854,975 | | 1,854,975 | | **1,937,174** | - | - |
| Depreciation | | | 482,737 | | 362,052 | | **353,945** | 120,684 | **114,192** |
| Professional fees | | | 1,027,756 | | 819,030 | | **204,515** | 165,000 | **120,000** |
| Meetings and conferences | | | - | | - | | **57,600** | - | **57,600** |
| Insurance | | | 27,753 | | 27,753 | | **25,319** | 26,631 | **24,197** |
| Taxes and licenses | | | 15,494 | | 18,994 | | **20,320** | 1,000 | - |
| Repairs and maintenance | | | 26,275 | | 26,275 | | **9,390** | 13,121 | **9,390** |
| Office supplies | | | 6,535 | | 21,885 | | **5,827** | 4,498 | **2,600** |
| Bank charges | | | 1,124 | | 1,124 | | **5,500** | 774 | - |
| Transportation | | | 7,629 | | 7,238 | | **935** | 3,893 | **140** |
| Impairment of input VAT | | | 2,139,089 | | - | | - | - | - |
| Communications | | | 2,997 | | 2,997 | | - | 2,584 | - |
| Miscellaneous | | | 105,548 | | 80,498 | | **90,787** | 39,092 | **41,000** |
| | | | 8,914,918 | | 5,471,887 | | 5,393,242 | 1,041,972 | 1,255,537 |
| **LOSS FROM OPERATIONS** | | | (5,824,331) | | (5,306,634) | | **(5,370,483)** | (1,015,496) | **(1,253,641)** |
| **FOREIGN EXCHANGE GAIN (LOSS) - net** | | | 55,969 | | 40,685 | | **8,698** | 6,040 | **22,315** |
| **LOSS BEFORE INCOME TAX** | | | (5,768,362) | | (5,265,949) | | **(5,361,785)** | (1,009,456) | **(1,231,326)** |
| **INCOME TAX EXPENSE** | *12* | | 106,623 | | 28,733 | | **3,867** | 4,647 | **374** |
| **COMPREHENSIVE INCOME (LOSS)** | | P | (5,874,985) | P | (5,294,682) | P | **(5,365,652)** | P (1,014,103) | **P (1,231,700)** |
| **BASIC AND DILUTED LOSS PER SHARE** | *11* | P | (0.12) | P | (0.11) | **P** | **(0.11)** | P (0.02) | **P (0.02)** |

*See Notes to Financial Statements*

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**(Formerly UEM Development Phils., Inc.)**

INTERIM STATEMENTS OF CHANGES IN EQUITY
30 September 2014
(With Comparative figures for 30 September 2013)

| | *Note* | | Audited | | Unaudited Year to Date | | |
|---|---|---|---|---|---|---|---|
| | | | 31 December 2013 | | 30 September 2013 | | **30 September 2014** |
| **CAPITAL STOCK - P1 par value** | *11* | | | | | | |
| Authorized - 50,000,000 shares | | | | | | | |
| Issued/subscribed (paid) | | P | 49,466,000 | P | 49,466,000 | **P** | **49,466,000** |
| **RETAINED EARNINGS (DEFICIT)** | | | | | | | |
| Balance at beginning of period | | | (31,495,860) | | (31,495,860) | | **(37,370,845)** |
| Net loss for the period | | | (5,874,985) | | (5,294,682) | | **(5,365,652)** |
| Balance at end of the period | | | (37,370,845) | | (36,790,542) | | **(42,736,497)** |
| | | P | 12,095,155 | P | 12,675,458 | **P** | **6,729,503** |

*See Notes to Financial Statements*

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**(Formerly UEM Development Phils., Inc.)**
INTERIM STATEMENTS OF CASH FLOWS
30 September 2014
(With Comparative figures for 30 September 2013)

| | | Audited | Unaudited Year to Date | |
|---|---|---|---|---|
| | *Note* | 31 December 2013 | 30 September 2013 | **30 September 2014** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before income tax | | P (5,768,362) | P (5,265,949) | **P (5,361,785)** |
| Adjustments for: | | | | |
| Impairment of input VAT | | 2,139,089 | - | - |
| Other Income | | (671,475) | - | - |
| Depreciation | | 482,737 | 362,052 | **353,945** |
| Interest income | *4* | (195,887) | (165,253) | **(22,759)** |
| Unrealized foreign exchange loss (gain) net | | (55,969) | (40,685) | **(8,698)** |
| Operating loss before working capital changes | | (4,069,867) | (5,109,835) | **(5,039,297)** |
| Decrease (increase) in: | | | | |
| Other current assets | | 77,892 | 78,166 | **(280,309)** |
| Other receivables | *8* | 2,352,970,963 | 13,182,515,319 | - |
| Increase (decrease) in accrued expenses and other current liabilites | | (177,779,583) | (178,011,388) | **(199,827)** |
| Cash generated from (absorbed) by operations | | 2,171,199,405 | 12,999,472,262 | **(5,519,433)** |
| Interest received | | 195,887 | 165,253 | **22,759** |
| Income tax paid | | (31,810) | (28,733) | **(3,867)** |
| Net cash provided by (used in) operating activities | | 2,171,363,482 | 12,999,608,782 | **(5,500,541)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Transfer of loans | | - | (10,835,044,875) | |
| Payment of loans | *8* | (2,175,177,744) | (2,169,677,225) | - |
| Net cash used in financing activities | | (2,175,177,744) | (13,004,722,100) | - |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | 55,969 | 40,685 | **8,698** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | (3,758,293) | (5,072,633) | **(5,491,843)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | *4* | 15,142,981 | 15,142,981 | **11,384,688** |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | *4* | p 11,384,688 | p 10,070,348 | **p 5,892,845** |

*See Notes to Financial Statements*

# SYNERGY GRID & DEVELOPMENT PHILS., INC.
# NOTES TO THE FINANCIAL STATEMENTS

## 1. Reporting Entity

Synergy Grid & Development Phils., Inc. (the "Company") was originally a mining corporation and registered with the Philippine Securities and Exchange Commission (SEC) on June 1, 1970 under the name Mankayan Minerals Development Company, Inc.

On February 22, 1994, the SEC approved the Company's change of corporate name to UEM Development Phils., Inc. and the change in its primary purpose from engaging in mining activities to general construction and other allied businesses. The amendment of its primary purpose was due to the potential opportunity in the construction industry brought about by the entry of a new foreign investor.

On October 10, 1997, the SEC approved the Amendment to the Seventh Article of the Company's Articles of Incorporation increasing the par value of its authorized capital stock from P0.01 to P1.00, decreasing the Company's shares of stock from 500,000,000 shares to 50,000,000 shares, and stating that the stockholders shall have no pre-emptive rights.

On November 5 and 9, and December 14, 2010, the Board of Directors (BOD) considered and approved the Amendment of the Articles of Incorporation and By-Laws of the Company for the purpose of, among others, changing the Company's corporate name to Synergy Grid & Development Phils., Inc., changing its primary purpose to enable it to engage in power, energy, utilities, infrastructure and allied businesses (including investing in such entities), expanding the secondary purpose of the Company, and increasing the Company's authorized capital stock to 215,000,000. The amendments to the Articles of Incorporation and By-Laws of the Company were approved by the stockholders on December 21, 2010. The SEC approved the Amended Articles of Incorporation on March 28, 2011 (Note 11).

The Company's shares of stock are listed on the Philippine Stock Exchange (PSE) under the stock symbol "SGP."

The Company's registered office address is Unit 1607, 16th Floor, Tycoon Center Bldg. Condominium Pearl Drive, Pasig City, Metro Manila.

## 2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

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

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is also the Company's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise indicated.

Use of Judgments and Estimates
The preparation of the financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments are made by management on the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

In particular, the following is the information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements:

*Determining Functional Currency*
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the investing activities of the Company.

*Classifying Financial Instruments*
The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities (Note 13).

*Fair Value Measurement*
The Company carries certain financial assets and financial liabilities at fair value which requires extensive use of accounting estimates and judgments. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any change in the fair value of these

financial assets and financial liabilities would affect profit or loss and other comprehensive income.

The methods and assumptions used to estimate fair values of financial assets and financial liabilities are discussed in Note 13.

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

Property and equipment, net of accumulated depreciation amounted to P0.51 million as at September 30, 2014 (Note 6).

*Impairment of Nonfinancial Assets*
The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

If any indicator exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Under PFRSs, whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized.

There is no indication of impairment on the Company's property and equipment as at September 30, 2014.

*Estimating Realizability of Deferred Tax Assets*
The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference and carry forward benefits of MCIT and NOLCO is based on the projected taxable income within the prescription period.

The Company did not recognize the deferred tax assets as at September 30, 2014 and December 31, 2013 since management does not expect to have sufficient taxable profit that will be available against which the Company can utilize the benefit therefrom.

*Provisions and Contingencies*
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account. The Company does not have any contingent legal or constructive obligation that requires provision or disclosure as at September 30, 2014 and December 31, 2013.

## 3. Summary of Significant Accounting Policies

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

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

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and, (c) change the title of the statements of comprehensive income to the statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statements of financial position.

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

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:

  - PAS 1, *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs. For example, if an entity elects to present a third statement of profit or loss and other comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present: (a) other primary statements for that additional comparative period, such as a third statement of cash flows; or (b) the notes related to these other primary statements.

  - PAS 1 - *Presentation of the Opening Statement of Financial Position and Related Notes.* This is amended to clarify that: (a) the opening statement of financial position is required only if: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification has a material effect upon the information in that statements of financial position; (b) except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different. Consequential amendments have been made to PFRS 1 and PAS 34, *Interim Financial Reporting.*

  - PAS 34, *Interim Financial Reporting* - Segment Assets and Liabilities. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8, *Operating Segments.* PAS 34 now requires the disclosure of a measure of total assets *and* liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment

*New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted*
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements.

The Company will adopt the following new or revised standards, amendments to standards on the respective effective dates:

*To be Adopted on January 1, 2014*

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

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

  The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied PFRS 13.

*To be Adopted (No definite date - Originally January 1, 2015)*

- PFRS 9, *Financial Instruments* (2009, 2010 and 2013). PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

Financial Instruments

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

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction cost.

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

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

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

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

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

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

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

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

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

The Company has no HTM investments, FVPL financial assets and FVPL financial liabilities as at September 30, 2014 and December 31, 2013.

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

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

The Company's investments in AFS financial assets are included under "Other noncurrent assets" account in the statements of financial position.

*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 are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss on an accrual basis. Gains and losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Company's cash and cash equivalents and other receivables are included in this category.

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

The combined carrying amount of financial assets under this category amounted to P5.88 million and P11.37 million as at September 30, 2014 and December 31, 2013, respectively (Note 13).

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

Included in this category are accrued expenses and other current liabilities and loans payable.

The combined carrying amounts of financial liabilities under this category amounted to P0.02 and P0.16 million as at September 30, 2014 and December 31, 2013 , respectively (Note 13).

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting Financial Instruments

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

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and impairment loss, if any.

The initial cost of property and equipment consists of its purchase price, including any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the properties have been put into operation, such as repairs and maintenance, are normally recognized in profit or loss in the year the costs are incurred. Major expenditures are capitalized as additional costs of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the costs of the items can be measured reliably.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

| | Number of Years |
|---|---|
| Transportation equipment | 5 |
| Furniture and fixtures | 3 |
| Office equipment | 3 |
| Computer equipment | 5 |

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. Assets are derecognized upon disposal or when there is no longer future economic benefits expected from the use or disposal of these items. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in which the asset is derecognized.

Impairment of Assets
*Financial Assets*
The Company assesses at the reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

Capital Stock

*Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Earnings Per Share

Basic Earnings Per Share (EPS) is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends, if any. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares, if any.

Operating Segments

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Company, having no operations, assessed that it has no reportable segment. Accordingly, the Company does not present segment information.

Taxes

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

*Current Tax*

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

*Deferred Tax*

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, carryforward benefits of NOLCO and MCIT, using tax rates enacted or substantively enacted as at the reporting date.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carryforward tax benefits of NOLCO and MCIT can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that the future taxable income will allow the deferred tax assets to be recognized.

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax availabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized.

*Interest Income*
Interest income from cash in bank, which is subject to final withholding tax, is presented at gross amount and the tax paid or withheld is included in income tax expense.

All other income items are recognized as earned.

Expense Recognition
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when they are incurred.

Related Party Transactions and Relationship
Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities which are under control with reporting enterprise and its key management personnel, directors, or its stockholders. Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Foreign Currency Transactions
Transactions in foreign currencies are converted to Philippine peso at exchange rates prevailing at the transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated into Philippine peso at the exchange rates prevailing at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss.

Provisions
Provisions are recognized when the Company has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date

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

## 4. Cash and Cash Equivalents

This account consists of:

| | **September 2014** | December 2013 |
|---|---|---|
| Cash on hand | **P10,000** | P10,000 |
| Cash in banks | **2,882,845** | 6,354,645 |
| Short-term placements | **3,000,000** | 5,020,043 |
| | **P5,892,845** | P11,384,688 |

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements represent money market placements made for varying periods from fourteen (14) days to thirty two (32) days earning interest ranging from .88% to 2.84% per annum in 2013. Interest income amounted to P .02 million and P0.20 million for the periods ended September 30, 2014 and December 31, 2013, respectively.

## 5. Other Current Assets

The movements and balances of this account are as follows:

| | **September 2014** | December 2013 |
|---|---|---|
| Input value-added tax | **P 280,309** | P - |
| Creditable withholding tax | **89,975** | 89,975 |
| Advances | **1,200** | 1,200 |
| | **P 371,484** | P 91,175 |

In 2013, the Company has provided an allowance for impairment on input value-added tax (VAT) amounting to P2.14 million as the Company does not have any output VAT for which the input can be applied.

## 6. Property and Equipment

The movements and balances of this account are as follows:

| | Transportation Equipment | Furniture and Fixtures | Office Equipment | Computer Equipment | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance as at December 31, 2013** | **P1,182,143** | **P37,665** | **P18,781** | **P682,474** | **P1,921,063** |
| **Accumulated Depreciation** | | | | | |
| December 31, 2013 | 551,686 | 32,999 | 14,054 | 460,477 | 1,059,216 |
| Depreciation for the period | 177,320 | 4,666 | 4,089 | 167,870 | 353,945 |
| **September 30, 2014** | **729,006** | **37,665** | **18,143** | **628,347** | **1,413,161** |
| **Carrying Amount** | | | | | |
| **September 30, 2014** | **P453,137** | **P -** | **P638** | **P54,127** | **P507,902** |

## 7. Accrued Expenses and Other Current Liabilities

This account consists of:

| | **September 2014** | December 2013 |
|---|---|---|
| Professional fees | **P 23,920** | P162,003 |
| Government payables | **80,767** | 142,511 |
| | **P104,687** | P304,514 |

Government payables include withholding tax and other statutory payables.

## 8. Loans Payable

In 2011, the Company entered into a Secured Facilities Agreement (the Original Facility Agreement) with a bank with an aggregate amount of US$705.5 million (P31.07 billion), inclusive of loans obtained under the First and Second Amendment Agreements. Out of the total amount, $172.35 million (P7.61 billion) and US$515.50 million (P22.68 billion) were for the accounts of Calaca High Power Corporation (CHPC) and OneTaipan, a related party through a common stockholder, respectively.

The loans are for a period of two years and with an interest rate equivalent to the aggregate of the London Interbank Offered Rate (LIBOR) plus a spread.

All costs, fees and interests related and in connection with the Original Facility Agreement are for the account of CHPC while those related and in connection with the First and Second Amendment Agreements are for the account of OneTaipan.

On April 30 and August 22, 2012, the existing facility agreement of the Company was further amended under the Third and Fourth Amendment Agreement, respectively, to include Power Access Global Inc. (Power Access) as the "Facility C Borrower" and increasing the total commitments by US$100 million (P4.22 billion) and US$80 million (P3.38 billion), respectively. The Company guarantees the obligations of Power Access and extends to it the securities granted by the Company under the Original Facility Agreement to the Facility C Borrower in the event of default. All additional loans, costs, fees and interest related and in connection with the Third and Fourth Amendment Agreement are for the account of Power Access.

There were no additional loans obtained by the Company in 2013 and 2012.

The above loans are secured, among others, by 92.5% of the Company's shares of stock, shares of stock of the other parties in the loan agreements and receivables resulting from the assignment of the proceeds of the loans to OneTaipan and CHPC.

On April 29, 2013, the existing facility agreement was further amended under the Fifth Amendment Agreement releasing the Company from its obligations as the Original Borrower, while still continuing to provide the guarantee and securities granted by it, and transferring the outstanding loan of US$263.95 million (P10.83 billion) to OneTaipan as the Replacement Borrower. On the same date, additional loan of $6.25 million (P257.21) billion was obtained by OneTaipan as borrower. The security granted by the Company under the Secured Facilities Agreement remains effective.

As at September 30, 2014 and December 31, 2013, the balance of the loans guaranteed by the Company under the amended loan agreements amounted to nil and $254.25 million (P11.28 billion), respectively.

Total loans paid in 2014 and 2013 amounted to nil and P2.18 billion, respectively.

These loans are not subject to any covenant.

## 9. Related Party Transactions

a. As discussed in Note 8, the Company obtained loans for the account of OneTaipan Holdings, Inc., a related party through a common major stockholder.

   As at September 30, 2014 and December 31, 2013, the outstanding loan balance amounted to nil. The loan related costs and expenses for the account of the related party in 2014 and 2013 amounted to nil and P0.67 billion respectively.

   Terms and conditions of the receivable are the same as those of the loan agreements.

b. As discussed in Note 8, the Company guarantees the loan of a related party, an entity party through a common stockholder and under key management/director, and extends the securities granted by the Company under the Secured Facilities Agreement in the event of default.

c. Short-term employee benefits for the periods ended September 30, 2014 and December 31, 2013 amounted to P 2.68 million and P3.22 million, respectively, which are included under "Salaries and other employee benefits" account in the statements of comprehensive income.

## 10. Other Commitments and Contingent Liabilities

The Company has no outstanding commitments and contingent liabilities as of September 30, 2014 and December 31, 2013.

## 11. Capital Stock

| | September 2014 | | December 2013 | |
|---|---|---|---|---|
| | **Number of Shares** | **Amount** | Number of Shares | Amount |
| Authorized shares (at P1 par value per share) Common | **50,000,000** | **50,000,000** | 50,000,000 | P50,000,000 |
| Issued shares (fully paid) Common | **49,466,000** | **49,466,000** | 49,466,000 | P49,466,000 |

Basic/diluted loss per share amounts is computed as follows:

| | September 2014 | December 2013 |
|---|---|---|
| Net loss attributable to shareholders | **(P5,365,652)** | **(P5,874,985)** |
| Divided by weighted average number of outstanding common shares | **49,466,000** | **49,466,000** |
| | **(P0.11)** | **(P0.12)** |

There were no dilutive potential common shares, hence basic and diluted EPS are the same for all the years presented.

*Increase in Authorized Capital Stock/Share Swap*
On November 5 and 9, 2010, the BOD resolved and approved the increase in the authorized capital stock of the Company from P50 million to P215 million, with the increase of P165 million to be divided into 100 million common shares at a par value of P1 per share and 65 million non-voting preferred shares at a par value of P1 per share with other terms and conditions to be determined by the BOD at a later date.

The above were approved by the stockholders on December 21, 2010.

In connection with the above resolutions and with a proposed share swap with the stockholders of Pacifica21 Holdings, Inc. ("Pacifica") and OneTaipan, on February 16, 2011, the BOD passed a resolution authorizing the Company to issue, out of the P165 million increase in the authorized capital stock of the Company, 100,000,000 common shares at a price of P20 per share, to the stockholders of OneTaipan and Pacifica in exchange for their shares in OneTaipan and Pacifica.

The share swap was approved by the stockholders on December 21, 2010.

On March 28, 2011, the SEC approved the share swap and increase in the Company's authorized capital stock from P50 million divided into 50 million shares at P1 par value per share to P215 million divided into 100 million common shares at P1 par value per share and 65 million non-voting preferred shares at a par value of P1 per share.

However, as at September 30, 2014, the share swap agreement has not yet been effected as one of the major conditions to complete the transaction, as agreed upon by the parties involved, is still pending and as such, the management is taking the position that the shares issued out of the increase in authorized capital stock should not yet be reported.

Upon effectivity of the share swap, the Company will own 68.34% of Pacifica and 100% of OneTaipan.

## 12. Income Tax

The Company's temporary differences of which deferred tax assets were not recognized as at September 30, 2014 and December 31, 2013 are shown below:

| | **September 2014** | December 2013 |
|---|---|---|
| Net operating loss carry-over (NOLCO) | **P31,323,503** | P25,986,230 |
| Allowance for impairment losses | **1,800,000** | 1,800,000 |
| Minimum corporate income tax (MCIT) | **58,022** | 58,022 |
| Unrealized foreign exchange loss | **-** | - |
| | **P33,181,525** | P27,844,252 |

The Company recognized a deferred liability amounting to P16,791 arising from the unrealized foreign exchange gain of P55,969 as at December 31, 2013.

As at September 30, 2014, the Company has NOLCO which can be claimed as deduction from future taxable income. Details of NOLCO are as follows:

| Year Incurred | Amount | Expired | Applied | Balance | Expiry Date |
|---|---|---|---|---|---|
| 2010 | P2,011,297 | P2,011,297 | P - | P - | December 31, 2013 |
| 2011 | 12,924,557 | - | - | 12,924,557 | December 31, 2014 |
| 2012 | 8,771,590 | - | - | 8,771,590 | December 31, 2015 |
| 2013 | 4,290,083 | - | - | 4,290,083 | December 31, 2016 |
| 2014 | 5,337,273 | - | - | 5,337,273 | December 31, 2017 |
| | P33,334,800 | P2,011,297 | P - | P31,323,503 | |

The carry forward benefit of MCIT incurred in 2013 amounting to P58,022 can be claimed by the Company as tax credits against future income tax liabilities until December 31, 2016.

## 13. Financial Risks and Capital Management Objectives and Policies

The Company's financial instruments comprise of cash and cash equivalents, other receivables, accrued expenses and other current liabilities and loans payable.

The Company has exposure to credit risk and liquidity risk primarily from its use of financial instruments.

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

The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. The Board of Directors provides written principles for overall risk management.

The BOD constituted the Company's Audit Committee which has oversight responsibility over Company's corporate governance process relating to the: (a) quality and integrety of the Company's financial statements and financial reporting process and the Company's system of internal accounting and financial controls; (b) annual independent audit of the Company's financial statements; (c) compliance by the Company with legal and regulatory requirements, including the Company disclosures control and procedures; and (d) evaluation of management's process to access and manage the Company's enterprise risk issues.

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and other receivables.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position, as summarized below:

| | **September 2014** | December 2013 |
|---|---|---|
| Cash and cash equivalents | **P5,882,845** | P11,374,688 |
| Available-for-sale financial assets* | **78,750** | 78,750 |
| | **P5,961,595** | P11,453,438 |

**Presented under "Other noncurrent assets" in the statements of financial position.*

To reduce its credit risk on cash, the Company concentrates its main cash activities with a bank that has good financial ratings. Also, the utilization of credit limits with the bank is regularly monitored.

Other receivables are collected on due date and are secured by shares of stock of the debtors.

Liquidity Risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay creditors and fulfill commitments.

To manage liquidity risk, the Company maintains sufficient liquid assets to meet its maturing obligations and to meet current operating requirements.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as at September 30, 2014 and December 31, 2013.

| | 2014 | | | |
|---|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flows** | **1 Year** | **More than 1 Year** |
| **Financial Assets** | | | | |
| Cash and cash equivalents | P5,892,845 | P5,892,845 | P5,892,845 | P - |
| Available-for-sale financial assets (presented under "Other noncurrent assets") | 78,750 | 78,750 | - | 78,750 |
| **Financial Liabilities** | | | | |
| Accrued expenses and other current liabilities* | 23,920 | 23,920 | 23,920 | - |

**Excluding government payables*

| | 2013 | | | |
|---|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flows** | **1 Year** | **More than 1 Year** |
| **Financial Assets** | | | | |
| Cash and cash equivalents | P11,384,688 | P11,384,688 | P11,384,688 | P - |
| Available-for-sale financial assets (presented under "Other noncurrent assets") | 78,750 | 78,750 | - | 78,750 |
| **Financial Liabilities** | | | | |
| Accrued expenses and other current liabilities* | 162,003 | 162,003 | 162,003 | - |

**Excluding government payables*

Fair Value of Financial Assets and Liabilities

The carrying amounts of the Company's financial assets and financial liabilities at reporting dates approximate their fair values considering that these have short-term maturities.

*Fair Value Hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

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

As at September 30, 2014 and December 31, 2013, the fair value of the Company's available-for-sale financial assets amount to P78,750 and has been categorized under Level 3.

In 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Capital Management

The Company defines capital as capital stock and deficit as shown in the statements of financial position.

Management's objectives in managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's current ratio, calculated as total current assets over total current liabilities, and debt-to-equity ratio, calculated as total liabilities over equity, as at September 30, 2014 and December 31, 2013 are as follows:

Current Ratio

| | **September 2014** | December 2013 |
|---|---|---|
| Current assets | **P6,264,329** | P11,475,863 |
| Current liabilities | **104,687** | 304,514 |
| | **59.84:1.00** | 37.69:1.00 |

Debt-to-Equity Ratio

| | **September 2014** | December 2013 |
|---|---|---|
| Total liabilities | **P 121,478** | P321,305 |
| Total equity | **6,729,503** | 12,095,155 |
| | **0.02:1.00** | 0.03:1.00 |

The Company is not subject to externally-imposed capital requirements.

## 14. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

'YNERGY GRID & DEVELOPMENT PHILS., INC.
'CHEDULES TO FINANCIAL STATEMENTS

'chedule A. **Financial Assets**

| Name of Issuing entity and asssociation of each issue | Number of shares or principal amounts of bonds | Amount shown in balance sheet | Valued based on market quotation at end of reporting period | Income received and accrued |
|---|---|---|---|---|
| 'hilippine Long Distance Telephone 'ompany - Common shares | 7,500 | Php78,750 | | |

'chedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than related parties)**

| Name and Designation of debtor | Balance December 31, 2013 | Additions | Amounts Collected | Amounts written off | Current | Not Current | Balance September 30, 2014 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 'OTAL | - | - | - | - | - | - | - |

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

| Name and Designation of debtor | Balance December 31, 2013 | Additions | Amounts Collected | Amounts written off | Current | Not Current | Balance September 30, 2014 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 'OTAL | - | - | - | - | - | - | - |

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**SCHEDULES TO FINANCIAL STATEMENTS**

**Schedule D. Other Assets**

| Description | Balance December 31, 2013 | Additions at Cost | Charged to cost and expense | Charged to other accounts | Other Changes | Balance September 30, 2014 |
|---|---|---|---|---|---|---|
| Creditable income tax | 89,975 | - | - | - | - | 89,975 |
| Input tax | - | - | - | 280,309 | - | 280,309 |
| Other Receivables | 1,200 | - | - | - | - | 1,200 |
| **TOTAL** | **91,175** | - | - | **280,309** | - | **371,484** |

**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 | Amount shown under caption "Long-Term Debt" in related balance |
|---|---|---|---|
| | | | |
| TOTAL | - | - | - |

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**SCHEDULES TO FINANCIAL STATEMENTS**

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

| Name of related party | Balance December 31, 2013 | Balance September 30, 2014 |
|---|---|---|
| | | |
| **TOTAL** | - | - |

**Schedule G. Guarantees of Securities of Other Isssuers**

| 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 | Nature of Guarantee |
|---|---|---|---|---|
| | Not Applicable | | | |

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**SCHEDULES TO FINANCIAL STATEMENTS**

**Schedule H. Capital Stock**

| Title of Issue | Number of shares authorized | No. of shares issued and outstanding | No. of shares reserved for options, warrants convertion and other rights | Number of shares held by related parties | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common | 50,000,000 | 49,466,000 | - | | 22,014,311 | 27,451,689 |
| **TOTAL** | **50,000,000** | **49,466,000** | - | - | **22,014,311** | **27,451,689** |

**SYNERGY GRID & DEVELOPMENT PHILS., INC.**
**AGING OF ACCOUNTS RECEIVABLE**
**As of September 30, 2014**

| | Total | 1 Month | 2 Months | 3 Months | 4 Months& Over | Past Due Accounts & Items in Litigation |
|---|---|---|---|---|---|---|
| a. Trade Receivables | | | | | | |
| Subtotal | | | | | | |
| Less: Allowance | | | | | | |
| Net Trade Receivables | - | - | - | - | - | - |
| b. Non-Trade Receivables | | | | | | |
| Subtotal | - | - | | | | |
| Less: Allowance | | | | | | |
| Net Non-Trade Receivables | - | - | - | - | - | - |
| | | | | | | |
| **TOTAL RECEIVABLES** | - | - | - | - | - | - |

| Type of Receivable | Nature / Description | Collection Period |
|---|---|---|
| 1 Trade Receivables<br>2 Non Trade | | |

**NOLCO Computation**

| | 30-Sep-14 |
|---|---|
| Loss before Income tax | (5,361,785) |
| Interest Income subject to tax | (22,759) |
| Finncial Loss | (5,384,544) |
| Add Temporary Diff | |
| 2013 Unrealized Fx gain | 55,969 |
| 2014 Unrealized Fx Gain | (8,698) |
| taxable loss | (5,337,273) |