

COVER SHEET

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SEC Registration Number

G R E E N E R G Y H O L D I N G S I N C O R P O R A T E D
A N D S U B S I D I A R I E S

Company's Full Name

5 4 N a t i o n a l R o a d , D a m p o l i l - A ,
P u l i l a n , B u l a c a n

Business Address: No. Street City/Town/Province

Kenneth Tan

Contact Person

(02) 579-4490

Company Telephone Number

1 2

Month

3 1

Day

(Calendar Year)

1 7 - Q 3

(Form Type)

0 6

Month

1 6

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,025

Total Number of Stockholders

₱-50M

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Please use black ink for scanning purposes

SEC FORM 17 – Q

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

1. For the quarterly period ended : September 30, 2014
2. SEC Identification Number : AS092-000589
3. BIR Tax Identification Number : 001-817-292
4. Exact name of issuer as specified in its charter : GREENERGY HOLDINGS, INCORPORATED
5. Province, country or other jurisdiction on : Bulacan, Philippines
6. Industry Classification code : (SEC Use Only)
7. Address of Principal office: **54 National Road,Dampol II-A PulilanBulacan**
Postal Code : **3005**
8. Issuer's telephone no. area code : **(02) 579-4490; (02) 661-6945**
9. Former name, former address and former fiscal year, if changed since last report: NA
10. Securities registered pursuant to Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares Php 1.00 par	1,800,778,565
Preferred Shares PHP 0.10 par	1,000,000,000
Debt Outstanding	50,000,000

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

Yes [X] No []

452,434,782 out of the 1,800,778,565 issued and outstanding securities are listed on the Philippine Stock Exchange.

12. Check whether the registrant:

- a. Has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 41 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report.

Yes [X] No []

- b. Has been subject to such filing requirement for the past 90 days

Yes [X] No []

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2014, 2013 AND DECEMBER 31, 2013

	Note	September 30, 2014	September 30, 2013	December 31, 2013
ASSETS				
Current Assets				
Cash	9	₱1,153,107	₱199,421,391	₱1,021,361
Receivables, net	10	656,525,082	474,607,501	60,237,731
Due from related parties	21	399,737,730	269,120,203	341,121,776
Assets classified as held for sale	8	–	–	671,104,589
Other current assets		681,111	8,617,134	607,652
Total Current Assets		1,058,097,030	951,766,229	1,074,093,109
Noncurrent Assets				
Available-for-sale (AFS) investments	11	537,961,651	79,522,280	97,928,047
Advances to projects	15	61,000,000	101,733,533	–
Investment in associates	13	93,629,826	60,724,640	147,640,485
Advances for a waste recycling project	12	235,008,036	–	235,008,036
Property and equipment	14	33,972,111	623,157,803	1,104,407
Deferred tax assets	22	87,160	941,601	87,160
Other noncurrent assets	15	179,006	–	179,006
Total Noncurrent Assets		961,837,790	866,079,857	481,947,141
		₱2,019,934,820	₱1,817,846,086	₱1,556,040,250
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	16	₱4,398,246	₱8,377,231	₱1,933,465
Due to related parties	21	81,605,338	35,543,196	34,677,687
Income tax payable		6,347	17,468	1,897
Loans payable	28	12,500,000	–	–
Liabilities directly associated with assets classified as held for sale	8	–	–	5,795,420
Total Current Liabilities		98,509,931	43,937,895	42,408,469
Non-Current Liabilities				
Loans payable, net of current portion	28	37,500,000	–	–
Total Liabilities		136,009,931	43,937,895	42,408,469
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY				
Capital stock (Common)	17	1,703,278,565	1,269,278,565	1,324,278,565
Capital stock (Preferred)	17	100,000,000	–	–
Total Capital stock	17	1,803,278,565	1,269,278,565	1,324,278,565
Deposit for future stock subscriptions		105,994,000	–	–
Share Premium		268,090,531	268,090,531	268,090,531
Fair value reserve for AFS investments	11	(241,114,278)	–	(54,428,547)
Other reserves		–	(49,121,595)	–
Deficit		(296,007,672)	(324,585,617)	(290,671,044)
		1,640,241,146	1,163,661,884	1,247,269,505
NONCONTROLLING INTEREST				
Total Equity	24	243,683,743	610,246,307	266,362,276
		1,883,924,889	1,773,908,191	1,513,631,781
		₱2,019,934,820	₱1,817,846,086	₱1,556,040,250

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2014, 2013

	Notes	For the three months ended September 30		For the nine months ended September 30	
		2014	2013	2014	2013
Continuing operation					
Share in income (loss) of associates, net	13	₱2,656,269	₱–	₱929,431	₱–
General and administrative expenses	18	(5,033,711)	(21,925,774)	(7,485,571)	(50,493,423)
Other operating income (expenses) - net	19	(1,187,000)	1,366,136	(1,092,202)	1,524,298
Interest income	9	3,107		5,112	1,244,258
Loss before tax from continuing operation		(3,561,335)	(20,559,638)	(7,643,230)	(47,724,867)
Income tax benefit	22	–	–	–	–
Net loss from continuing operations		(3,561,335)	(20,559,638)	(7,643,230)	(47,724,867)
Net loss from discontinued operations - net of tax	20	–	–	–	–
NET LOSS		(3,561,335)	(20,559,638)	(7,643,230)	(47,724,867)
OTHER COMPREHENSIVE LOSS					
<i>Items to be reclassified in profit or loss</i>		–	–	–	–
Net fair value changes of AFS investment	11	(168,044,944)	(1,385,615)	(186,685,731)	(41,346,321)
TOTAL COMPREHENSIVE LOSS		(171,606,279)	(21,945,253)	(194,328,961)	(89,071,188)
Net Loss attributable to					
Equity holders of Parent Company		(₱2,310,800)	₱2,116,039	(₱6,364,447)	(₱19,146,075)
Non-controlling interest	24	(1,250,535)	(22,675,677)	(1,278,783)	(28,578,792)
		(3,561,335)	(₱20,559,638)	(7,643,230)	(47,724,867)
Basic loss per share	23	(₱0.0045)	(₱0.00013)	(₱0.000082)	(₱0.00031)
Dilutive loss per share	23	(₱0.0045)	(₱0.00013)	(₱0.000074)	(₱0.00031)
Total Comprehensive Loss attributable to					
Equity holders of Parent Company		(₱170,355,744)	₱730,424	(₱193,050,178)	(₱60,492,396)
Non-controlling interest	24	(1,250,535)	(22,675,677)	(1,278,783)	(28,578,792)
		(171,606,279)	(₱21,945,253)	(194,328,961)	(89,071,188)

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014, 2013 AND 2012 AND DECEMBER 31, 2013

		September 30,			December 31,
	Note	2014	2013	2012	2013
EQUITY ATTRIBUTABLE TO PARENT HOLDERS OF THE PARENT COMPANY					
CAPITAL STOCK					
Issued and subscribed:					
				₱522,010,005	₱
Balance at beginning of year	17	₱1,324,278,565	₱1,100,278,565		1,100,278,565
Issuances and subscriptions of shares	17	916,500,000	301,000,000	275,062,500	431,000,000
Decrease (increase) in subscription receivable	17	(437,500,000)	(132,000,000)	(187,500,000)	(207,000,000)
Balance at end of the quarter/year		1,803,278,565	1,269,278,565	609,572,505	1,324,278,565
ADDITIONAL PAID-IN CAPITAL					
Balance at beginning of year		268,090,531	268,090,531	60,321,971	268,090,531
Premiums received		-	-	-	-
Balance at end of quarter/year		268,090,531	268,090,531	60,321,971	268,090,531
CURRENCY TRANSLATION ADJUSTMENT					
Balance at beginning of year					
As previously reported		-	-	28,683,061	17,358,586
Prior period adjustments	6	-	-	-	(17,358,586)
As restated		-	-	-	-
Effect of divestment of foreign subsidiaries		-	-	-	-
Balance at end of quarter/year		-	-	28,683,061	-
FAIR VALUE RESERVE FOR AFS INVESTMENTS					
	11				
Balance at beginning of year					
As previously reported		(54,428,547)	(19,765,525)	-	(8,705,880)
Prior period adjustments	6	-	-	-	2,707,673
As restated		(54,428,547)	(19,765,525)	-	(5,998,207)
Fair value changes of AFS investments		(186,685,731)	(41,346,321)	-	(48,430,340)
Adjustment on post acquisition of non-controlling interest			11,990,251		
Balance at end of quarter/year		(241,114,278)	(49,121,595)	-	(54,428,547)
DEFICIT					
Balance at beginning of year					
Beginning balance		(290,671,044)	(302,795,513)	(276,744,780)	(276,917,764)
Increase in addition to subsidiary					
Effects of divesting the subsidiary		2,306,601	-	-	-
		(288,364,443)	(302,795,513)	(276,744,780)	(276,917,764)
Total comprehensive loss (income) for the quarter/year	6	(7,643,229)	(21,790,104)	(7,788,215)	(13,753,280)
Balance at end of quarter/year		(296,007,672)	(324,585,617)	(284,532,995)	(290,671,044)

(Forward)

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014, 2013 AND 2012 AND DECEMBER 31, 2013

	Note	September 30, 2014	September 30, 2013	September 30,2012	December 31, 2013
OTHER RESERVES					
Balance at beginning of year					
As previously reported		₱-	₱-	₱-	₱29,327,852
Prior period adjustment	6	-	-	-	(29,327,852)
Balance		-	-	-	-
Balance as the end of the quarter/year		₱-	₱-	₱-	₱-
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
		1,640,241,146	1,163,661,884	414,044,542	1,247,269,505
NONCONTROLLING INTERESTS					
	24				
Balance at beginning of year		266,362,276	294,387,566	-	
As previously reported		-	-	-	294,387,566
Prior period adjustment	6	(13,057)	-	-	(28,492,921)
Balance		266,349,219	294,387,566	-	265,894,645
Share in net income (loss)		(1,278,783)	(25,934,762)	-	467,631
Issuance shares common/minority shares		244,090,492	341,793,503	(127,371)	
Effect of divestment of subsidiary		(265,477,186)	-	-	-
Balance at end of quarter/year		243,683,742	610,246,307	(127,371)	266,362,276
		₱1,883,924,888	₱1,773,908,191	₱413,917,171	₱1,513,631,781

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014, 2013 AND 2012 AND DECEMBER 31, 2013

		September 30,			December 31,
	Note	2014	2013	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax from continuing operation		(₱7,643,230)	(₱21,790,104)	(₱2,984,635)	(₱13,290,707)
Loss before tax on discontinued operation	20	-	-	-	-
Adjustments for:					
Share in (income) loss of associates	13	(929,431)	-	-	675,999
Depreciation and amortization	14	456,877	1,983,643	7,093	473,031
Provisions for:					
Impairment loss on other noncurrent assets	19	-	-	-	7,133,533
Impairment loss on advances to related parties	19	-	-	-	-
Impairment loss on receivables	10	-	-	-	-
Unrealized forex gain	19	-	-	-	-
Effects due to dilution of ownership interest in a former subsidiary		(263,183,642)	-	-	-
Impairment loss on investment in a former subsidiary		-	-	-	-
Loss on disposal of property and equipment		-	-	-	-
Loss on disposal of AFS investments	19	-	-	-	-
Interest income		(5,112)	(1,486,144)	(2,006)	(1,260,713)
Interest expense		-	-	-	-
Operating loss before working capital changes		(271,304,538)	(21,292,605)	(2,979,548)	(6,268,857)
Decrease (increase) in:					
Receivables		(596,287,351)	(473,526,072)	(253,360)	(59,156,302)
Due from related parties		(58,615,954)	(129,470)	(55,760)	(73,192,904)
Advances to projects			(93,964,067)		
Advances for Future Stock Subscription			200,000,000	235,000,000	
Other current assets		(73,459)	(4,971,918)	(238,696)	3,020,096
Increase (decrease) in:					
Due to related parties		46,927,653	27,838,092		28,887,074
Retirement obligations				150,000	
Trade and other payables		2,464,781	4,729,467	8,346,050	(2,192,699)
Net cash used for operations		(876,888,868)	(267,352,506)	239,968,686	(108,903,592)
Income tax paid				(58,527)	
Interest received		5,112	1,486,144	(2,006)	1,260,713
Net cash (used in) provided for operating activities		(876,883,756)	(265,866,362)	239,912,165	(107,642,879)

(Forward)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014, 2013 AND 2012 AND DECEMBER 31, 2013

		September 30,			December 31,
	Note	2014	2013	2012	2013
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to:					
Investment in associates	13	54,944,540	25,000,000	–	(55,000,000)
AFS investments	11	(626,719,335)	(4,085,627)	(86,850,207)	(68,214,061)
Assets classified as held for sale, net of liabilities	8	665,309,169	–	–	(465,309,169)
Acquisition of property and equipment	14	(33,324,581)	(388,627,971)	(232,985,899)	(71,999)
Decrease (increase) in noncurrent assets		–	179,006	–	635,932
Advances to projects		(61,000,000)	(93,964,067)	–	–
Revaluation reserves		–	(29,356,070)	–	–
Investment of non-controlling interest in subsidiaries		242,811,709	–	–	–
Proceeds from sale AFS investment		–	–	–	–
Other non-current assets		–	(861,396)	–	–
Net cash provided for (used in) investing activities		207,021,502	(491,716,125)	(319,836,106)	(587,959,297)
CASH FLOWS FROM FINANCING ACTIVITIES					
Additions to capital stock					
	17	479,000,000	169,000,000	82,758,919	224,000,000
Deposit for future subscription		105,994,000	–	–	–
Proceeds from loan borrowing		50,000,000	–	–	–
Payment of interest-bearing loans		–	(478,400)	(1,430,933)	–
Non controlling interest		–	341,793,503	–	–
Expenses from issuance of shares		–	–	–	–
Proceeds from interest-bearing loans		–	–	–	–
Interest paid		–	–	–	–
Net cash provided by financing activities		634,994,000	510,315,103	81,327,986	224,000,000
EFFECTS OF RECOGNITION OF MINORITY INTEREST					
		–	(25,934,762)	(127,371)	–
NET CASH FLOWS INCURRED BY DISPOSED SUBSIDIARIES					
	20	–	–	–	–
NET INCREASE (DECREASE) IN CASH		131,746	(273,202,146)	1,276,674	(471,602,176)
CASH AT BEGINNING OF PERIOD		1,021,361	472,623,537	601,786	472,623,537
CASH AT END OF PERIOD		₱1,153,107	₱199,421,391	₱1,878,460	₱1,021,361

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Company Information

Greenenergy Holdings, Incorporated (formerly MUSX Corporation, singly as the Parent Company and collectively as the Group) was registered with the Philippine Securities and Exchange Commission (SEC) in January 29, 1992. The Parent Company's shares are listed with the Philippine Stock Exchange (PSE).

The Parent Company, formerly engaged in the manufacture and sale of semiconductors products, changed its primary purpose to that of a Holding Parent Company. The change was approved by the SEC on December 15, 2008.

On June 22, 2011, the SEC approved the amendment of the Parent Company's Articles of Incorporation which provided for the following:

- Change in the registered business name from MUSX Corporation to its current name;
- Change in the principal office and place of business of the Corporation from L14 Net Cube Centre, 3rd Avenue corner 30th Street, E- Square Crescent Park, West Bonifacio Global City, Taguig to 54 National Road, Dampol II-A, Pulilan, Bulacan;
- Decrease in par value from ₱0.10 per share to ₱0.01 per share; and
- Increase in authorized capital stock from ₱500.0 million divided into 5.0 billion shares at ₱0.10 par value per share to ₱1.0 billion divided into 100 billion shares at ₱0.01 par value per share.

On March 8, 2012, the SEC approved the increase in authorized capital stock from ₱1.0 billion divided into 100 billion shares at ₱0.01 par value per share to ₱2.0 billion divided into 200 billion shares at ₱0.01 par value per share.

On June 27, 2013, the Board of Directors (BOD) approved the restructuring of the authorized capital stock to ₱2.0 billion divided into 1.9 billion common shares at ₱1.0 par value per share and 1.0 billion preferred shares at ₱0.10 par value per share. The company received the approval by the SEC of the same on September 15, 2014.

As at September 30, 2014, December 31, 2013 and 2012, the Parent Company holds investments in the following subsidiaries and associates:

Name of investee	Country of incorporation	Principal activity	Principal place of business	Percentage Ownership		
				2014	2013	2012
Subsidiaries						
Total Waste Management Recovery	Philippines	Waste	Pulilan, Bulacan	51.00%	51.00%	51.00%

System, Inc. (TWMRSI)		Management Renewable				
Winsun Green Ventures, Inc. (WGVI)	Philippines	Energy Pulilan, Bulacan	100.00%	100.00%	100.00%	
Biomass Holdings, Inc. (BHI)	Philippines	Holding Makati City	0%	60.00%	60.00%	
Sunchamp Real Estate Development Corporation (SREDC)	Philippines	Real Estate Makati City	62.39%	20.00%		-
Agrinurture Development Holdings, Inc. (ADHI)	Philippines	Holding Makati City	100%	-		-
Associates						
IsabelaAlcogas Corporation (IAC)	Philippines	Manufacturing Quezon City Logistics and Muntinlupa	50.00%	50.00%		-
Music Semiconductor Philippines, Inc.*	Philippines	Manufacturing City Trading	39.00%	39.00%	39.00%	
Lite Speed Technologies, Inc.	Philippines	Trading and Makati City Services	51.00%	-	-	

**Classified as an associate on July 2011*

Total Waste Management Recovery System Inc. (TWMRSI)

On June 30, 2011, the Parent Company's stockholders approved the acquisition of fifty one 51% of TWMRSI, a domestic corporation engaged in the business of building, operating and managing waste recovery facilities and waste management systems within the Philippines. On March 27, 2012, the Parent Company acquired the 51% ownership in TWMRSI when the SEC approved the application for increase in authorized capital stock of TWMRSI (see Note 12).

Winsun Green Ventures Inc. (WGVI)

On June 22, 2012, the SEC approved the incorporation of WGVI with the primary purpose of engaging in renewable energy projects.

Sunchamp Real Estate Development Corp. (SREDC)

On October 2, 2013, the Parent Company acquired 20% of the voting shares of SREDC. SREDC is a real estate company that focuses on the development of self- sustaining agri-tourism areas. On July 2, 2014, the Parent Company subscribed to additional primary common shares of SREDC, increasing its equity stake to 62.39%.

It currently has real and enforceable rights over approximately 145 hectares of land in Rosario, Batangas.

Agrinurture Development Holdings, Inc. (ADHI)

ADHI, a wholly-owned subsidiary of the Company, was incorporated on June 17, 2014. The Company intends to use ADHI as the holding company of all its agriculture portfolio.

Biomass Holdings Inc. (BHI)

On October 31, 2012, the SEC approved the incorporation of BHI, a 60%-40% Company arrangement with ThomasLloyd Cleantech Infrastructure Fund (TCIF). BHI was incorporated with the primary purpose of investing in any other entity engaged in the business and/or operation of renewable energy systems and/or harnessing renewable energy resources. Subsequently, BHI invested in San Carlos Biomass, Inc. (SCBI), a biomass power plant in Negros (see Note 12).

On October 2, 2013, the BOD authorized the Parent Company to explore the sale of all or a portion of the Parent Company's 60% equity in BHI.

On March 26, 2014, the BOD approved the sale of the Parent Company's 60% equity in BHI under such terms and conditions as may be beneficial to the Corporation. Hence, the assets in BHI were presented as "assets classified as held for sale" and liabilities in BHI as "liabilities directly associated with assets classified as held for sale" (see Note 8).

On April 2, 2014, the Parent Company disclosed to the public that it has bound itself to divest its 60% equity interest in BHI in favor of TLCIF or the latter's designee.

On June 30, 2014, the Company disclosed to the public that it has received the total consideration for its 60% interest in BHI. As of July 1, 2014, the parties finally executed pertinent deed of absolute sales and deed of assignment of subscription. BHI is no longer consolidated with GHI.

Isabela Alcogas Corporation (IAC)

On December 11, 2012, the Parent Company's stockholders approved a 50% investment in IAC, a company registered with the Philippine SEC on October 17, 2007. IAC's primary purpose is to engage in the business of manufacturing of goods such as ethanol and other biofuel and to trade the same on a wholesale or retail basis.

Music Semiconductor Philippines, Inc. (MSPI), MUSIC Semiconductors, Inc. (MSI), MusemElectronic N.V. (MENV) and Protelcon, Inc. (PI)

On December 23, 2010, the stockholders approved the Parent Company's initiative to venture into other business opportunities such as renewable energy and waste management systems by reducing its interest in the semiconductor business. Accordingly, the Parent Company, in 2011, divested all of its interests in MSI, MENV and PI but retained 39% from 100% interest in MSPI.

In connection with the divestment, MSPI issued a three (3) year convertible bond in favor of the Parent Company equivalent to ₱118.5 million. The convertible bond of ₱118.5 million was fully impaired and written-off because management has assessed that these bonds may not be realized.

Lite Speed Technologies, Inc. (LSTI)

On August 14, 2014, the SEC approved the incorporation of LSTI with the primary purpose of engaging in the business of information and communication technology.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on historical cost basis, except for AFS investments in quoted securities which are stated at fair value, and are presented in Philippine Peso, the Group's functional currency. All values represent amounts rounded to the nearest peso unless otherwise stated.

In 2013, the Group changed its functional currency from the US Dollar to the Philippine Peso as a result of the Group's divestment of its foreign subsidiaries, MSI, MENV and PI, in June 2011. The necessary notification for the change was made with the SEC on January 30, 2013. The consolidated financial statements as at December 31, 2012 and 2011 were restated to effect the change (see Note 6).

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

3. Summary of Changes in Accounting Policies

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS, which became effective as at January 1, 2013. These are summarized below.

PAS 1, Financial Statement Presentation, Presentation of Items of Other Comprehensive Income - The amendment changed the presentation of items in Other Comprehensive Income. Items reclassified to profit or loss at a future point in time are presented separately from items that cannot be reclassified.

- *PAS 19, Employee Benefits (Amendment)* – There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.
- *PFRS 10, Consolidated Financial Statements* - The standard replaces the portion of *PAS 27, Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements and *SIC-12, Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. Management has to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.
- *PFRS 11, Joint Arrangements* - *PFRS 11* replaces *PAS 31, Interests in Joint Ventures* and *SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers* - The standard removes the option to account for jointly controlled entities (JCEs) using proportionate

consolidation. Instead, joint venture entities that meet the definition of a joint venture are accounted for using the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities* - The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- Amendments to PFRS 10, PFRS 11, *Joint Arrangements*, and PFRS 12: *Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments removed the requirement to present comparative information for periods before PFRS 12 is first applied.
- PAS 27, *Separate Financial Statements* (as revised in 2011) - As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - This standard prescribes the application of the equity method to investments in associates and joint ventures.
- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendment)- The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.
- PFRS 13, *Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It 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.
- Improvements to PFRS

The omnibus amendments to PFRS issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

- PAS 1, *Presentation of Financial Statements*
- PAS 16, *Property, Plant and Equipment*
- PAS 32, *Financial Instrument: Presentation*
- PAS 34, *Interim Financial Reporting*

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2013 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* - The amendments provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* -The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*- This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

4. **Summary of Significant Accounting Policies**

Basis of Consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its Subsidiaries, which it controls as at June 30 of each year, except for BHI in 2013 (see Note 8). The Parent Company has control over the investee when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for similar transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group. All significant intercompany balances and transactions including inter-group unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or

disposed of during the period are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling ownership interest (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at its proportionate share in the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses. The excess of the cost of acquisition over the fair value of the Parent Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Parent Company's share of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

When the Parent Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Common Control Transactions. Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Parent Company accounts such business combinations under the acquisition method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Parent Company are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

Comparatives balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

Goodwill. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

The goodwill on investment in an associate is included in the carrying amount of the related investment.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction cost.

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

The Group does not have financial instruments classified as financial assets or financial liabilities at FVPL and HTM investments.

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

The Group's cash in banks, receivables, and due from related parties are classified under this category.

AFS Investments. AFS investments are non-derivative financial assets that are not classified in any of the other financial asset categories. AFS investments are carried at fair value in the consolidated statement of financial position. Changes in fair value of AFS investments are recognized in the consolidated statement of comprehensive income. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the reporting date.

AFS investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of reporting date.

The Group's AFS investments consist of quoted and unquoted equity securities.

Other Financial Liabilities. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder as to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group's trade and other payables and due to related parties are classified under this category.

De-recognition of Financial Assets and Liabilities

De-recognition of Financial Assets and Liabilities. 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 right to receive cash flows from the asset expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred

nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset 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 Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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

Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

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

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

Further information about the assumptions made in measuring fair values is included in Notes 11 and 26.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired.

Financial Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables 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 is reduced through the use of an allowance account. The amount of loss, if any, is recognized in consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group 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, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. 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. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as payment history, past-due status and term.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments. The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income - is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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 asset and settle the liability simultaneously.

Assets Classified as Held for Sale

Noncurrent assets, or disposal groups comprising of assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for

sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when there is delay of the sale caused by events or circumstances beyond the Group's control.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Other Current Assets

This account consists of the excess of input VAT over output VAT and other prepayments.

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid or in kind. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Investment in Associates

Investment in associates are accounted for using the equity method and recognized initially at cost.

An associate is an entity in which the Parent Company has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Parent Company holds between 20% and 50% of the voting rights of the entity.

The Parent Company's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate.

Advances for Waste Recycling Project

Advances for waste recycling project is stated at cost, less impairment losses, if any. It represents mainly machinery and equipment and steel structures for the construction of a waste recycling facility.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial costs of property and equipment include expenditures that are directly attributable to the acquisition of the assets, such as its purchase cost, including import duties, taxes and other directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated using the straight-line method to allocate its cost over their estimated useful lives, as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Transportation equipment	5
Furniture and fixtures	5

Depreciation commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the asset is derecognized.

Major renovations that qualify for capitalization are depreciated over the remaining useful life of the related assets or to the date of the next major renovation, whichever is earlier.

The assets' useful life and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Impairment of Nonfinancial Assets

The carrying values of investment in associates, advances for waste recycling project, property and equipment, and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets

are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss under the expense category 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 unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization are 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 and Additional Paid-in Capital

Capital stock is measured for all shares issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax. The excess of proceeds from the issuance of shares over the par value of shares is credited to additional paid-in capital.

Deficit

Deficit represents the accumulated net income or losses, net of any dividend declaration.

Earnings (Loss) per Share

Earnings per share (EPS) is determined by dividing net income (loss) by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Fair Value Reserve for AFS Investments

Fair value reserve comprises the cumulative net fair value changes of AFS investments until such investments are derecognized or impaired.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenues are recognized.

Interest Income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of comprehensive income upon consumption of goods, utilization of the services or at the date these are incurred.

Interest expense is reported on an accrual basis and is recognized using the effective interest method. Interest expense is generally expensed as incurred.

Short-term Employee Benefits

The Group provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

Foreign Currency Transactions

The Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that operation, recognized in other comprehensive income and accumulated in a separate component of equity, reclassified from equity to profit or loss (as a reclassification adjustment when the gain or loss on disposal is recognized).

The Group determined that its functional currency to be Philippine Peso (₱) as a result of the Parent Company's divestment of its foreign subsidiaries, MSI, MENV and PI, in June 2011. Previously, the Group presented its consolidated financial statements in United States Dollar (US\$). The consolidated financial statements as at September 30, 2014, 2013, 2012 and December 31, 2013 were restated to effect the change (see Note 6).

Income Tax

Current tax. Current tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

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

Value-Added Tax (VAT). Revenue, 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 expense item; and
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the consolidated statement of financial position.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

Events After the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgment

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

*Determination of Functional Currency.*Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be Philippine Peso(see Notes 2, 4, and 6). Also, it is the currency of the primary economic environment in whichthe Parent Company, its subsidiaries and associates operate.

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

The classifications of the various financial assets and liabilities of the Group are disclosed in notes to consolidated financial statements (see Note 25).

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

The carrying values and fair values of financial assets and liabilities as at September 30, 2014, 2013, 2012 and December 31, 2013 are disclosed in Note 25.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years are discussed below.

Estimating Impairment Losses of Loans and Receivables. The Group maintains allowance for impairment loss accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (payment history, past due status and term). Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

The carrying value of receivables and due from related parties amounted to ₱1,056.3 million as of September 30, 2014, ₱743.7 million as of September 30, 2013 and ₱401.4 million in December 31, 2013 (see Notes 10).

Impairment of AFS Investments. The Group classifies investment in equity securities as AFS and recognizes movements in fair value in other comprehensive income and equity.

When a decline in the fair value of an AFS has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from equity to profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

Impairment may be appropriate when there is evidence of deterioration in the financial wealth of the investee, industry and sector performance and operational and financing cash flows. No impairment loss on AFS investments was provided in 2014, 2013 and 2012. AFS investments amounted to ₱538 million as at September 30, 2014, ₱79.5 million at September 30, 2013 and ₱97.9 million as at December 31, 2013 (see Note 11).

Estimating of Useful Lives of Property and Equipment. The useful life of each of the items of property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be

materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned in the foregoing. A change in the estimated useful life of any item of property and equipment would impact the recorded operating expense and noncurrent assets.

There was no change in estimated useful lives of property, plant and equipment in September 30, 2014, 2013 and December 31, 2013.

The carrying value of property and equipment in September 30, 2014 amounted to ₱34 million, ₱623.2 million in September 30, 2013 and ₱1.1 million as at December 31, 2013 (see Note 14).

Assessment of Impairment of Nonfinancial Asset and Estimation of Recoverable Amount. The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs of disposal and its value-in-use. In determining fair value, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of 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.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets may be impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes under PFRS.

Nonfinancial assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

For the nine months ended September 30,				
	Note	2014	2013	December 31, 2013
Property and equipment	14	₱33,972,111	623,157,803	₱1,104,407
Investment in associates	13	93,629,826	60,724,640	147,640,485
Advances for waste recycling project	12	235,008,036		235,008,036

Estimating Recoverability of Deferred Tax Assets. Management reviews the carrying amount of deferred tax assets at each reporting date. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. No further deferred tax assets have been recognized in 2014, 2013 and 2012.

6. Prior Period Adjustments

The 2012 and 2011 consolidated financial statements have been restated to reflect the following:

- Fair value changes of AFS investments based on PSE published quotation resulting to increase of ₱2.7 million in 2012 in AFS investments and fair value reserve;
- Derecognition of currency translation adjustments (CTA) of ₱27.7 million in 2011 relating to divested foreign subsidiaries. These comprise of CTA recognized in 2010 amounting to ₱18.0 million and CTA recognized in 2011 amounting to ₱9.7 million. Reduction in CTA recognized in 2012 amounting to ₱10.4 million was also derecognized resulting to increase in investment in associate by ₱3.7 million and an increase in net loss by ₱6.7 million.
- Adjustment of share of non-controlling interest (NCI) in TWMRSI by ₱28.5 million in 2012 to reflect 49% share of minority interest. Of this amount, ₱17,699 was previously included as part of deficit attributable to equity holders of the Parent Company.
- Reclassification of the following:
 - Advances for a waste recycling project of ₱235.0 million, previously presented as part of property and equipment.
 - Loss due to dilution of ownership interest in a former subsidiary in 2011 amounting to ₱87.9 million from “Other operating expenses - net” to “Loss from discontinued operations.”
 - Amount due from related parties of ₱1.9 million was offset against amounts due to related parties of ₱1.9 million.
 - Amount due from minority stockholder previously presented as “other reserves”.

The following is the summary of financial impact of restatements and reclassification adjustments of the 2012 and 2011 consolidated financial statements:

	December 31, 2012		
	As Previously Reported	Restatements	As Restated
Due from related parties	₱268,990,733	(₱1,061,861)	₱267,928,872
AFS investment	75,436,653	2,707,673	78,144,326
Investments in associates	89,624,640	3,691,843	93,316,483
Advance for a waste recycling project	-	235,008,036	235,008,036
Property and equipment	236,513,475	(235,008,036)	1,505,439
Due to related parties	7,705,104	(1,914,491)	5,790,613
Noncontrolling interest	294,387,566	(28,492,921)	265,894,645
Deficit	(297,985,892)	21,068,128	(276,917,764)
Other reserves	29,327,852	(29,327,852)	-
Fair value reserve for			
AFS investments	(8,705,880)	2,707,673	(5,998,207)
Currency translation adjustment	17,358,586	(17,358,586)	-
Net loss	(28,083,953)	(6,723,011)	(34,806,964)

	December 31, 2011		
	As Previously Reported	Restatements	As Restated
Currency translation adjustment	₱27,773,440	(₱27,773,440)	₱-
Deficit, December 31	(271,935,159)	27,773,440	(244,161,719)
Net loss	(219,652,667)	27,773,440	(191,879,227)

7. Business Combination

Incorporation of WGVI

As discussed in Note 1, the Parent Company incorporated WGVI as approved by SEC on June 22, 2012 primarily to develop and invest in renewable energy resources. The Parent Company owns 100% equity interest in WGVI and initially subscribed to 5.0 million common shares at ₱1.0 a share of which ₱3.75 million are subscription receivable.

On December 16, 2013, the Parent Company subscribed to additional 15 million common shares at ₱1.0 a share amounting to ₱15 million. The subscription receivables in 2012 were also fully settled in 2013.

The cost of investment is equivalent to the Parent Company's share in net assets of WGVI at the date of incorporation. As such, no goodwill or investment income was recognized.

Incorporation of BHI

The Parent Company and TLCIF incorporated BHI as approved by SEC on October 31, 2012 primarily to engage in the business of investing in renewable energy systems. The Parent Company owns 60% equity interest in BHI and initially subscribed to 40.1 million common shares at ₱1.0 a share.

The cost of investment is equivalent to the Parent Company's share in net assets of BHI at the date of incorporation. As such, no goodwill or investment income was recognized.

As at December 31, 2013, the assets and liabilities of BHI were presented as "Assets classified as held for sale" and liabilities directly related to assets, liabilities as held for sale, respectively, as a result of the intended sale by the Parent Company of its equity interest in BHI to TLCIF (see Note 1 and 8).

As of June 30, 2014, the Parent Company received the full consideration for the 60% equity interest in BHI to TLCIF.

Further to the Parent Company's disclosure last June 30, 2014, the Parent Company disclosed to the investing public that the following deeds were executed on July 1, 2014 between the Parent Company and ThomasLloydCleantech Infrastructure Fund GMBH in relation to the divestment by the Parent Company of its 600,000,000 common shares equivalent to 60% equity interest in BHI.

1. Deed of Absolute Sale covering the 300,000,000 fully paid common shares of the Company in BHI for the total purchase price of ₱300,000,000; and
2. Deed of Assignment of Subscription covering the 300,000,000 partially paid common shares of the Company in BHI for the total purchase price of ₱100,522,380. CTF shall assume payment of the balance of the subscription to BHI.

8. Asset Classified as Held for Sale

On October 2, 2013, the BOD authorized the Parent Company to explore the sale of all or a portion of the Parent Company's 60% equity in BHI.

On March 26, 2014, the BOD approved the sale of the Parent Company's 60% equity in BHI. Accordingly, in the 2013 consolidated financial statements, the assets and liabilities of BHI were classified as asset classified held for sale / liabilities directly related to asset classified as held for sale. In 2012, the assets and liabilities of BHI were consolidated with the Parent Company.

The subject assets and liabilities are as follows:

Assets classified as held for sale	Note	Amount
Cash		₱3,567,289
Investment in San Carlos Biopower, Inc. (SCBI)	12	667,537,300
		₱671,104,589
Liabilities directly associated with assets classified as held for sale		
Accrued expenses		₱854,687
Advances to officers		2,516,427
Due to related parties		2,424,306
		₱5,795,420

As of June 30, 2014, the Parent Company received the full amount of considerations as a result of sale for the 60% equity interest in BHI to TLCIF (see Note 7). For consolidation, the balance of both "Asset classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" was derecognized as of June 30, 2014.

9. Cash

This account consists of:

	For the nine months ended September 30		
	2014	2013	December 31, 2013
Cash in banks	₱1,138,724	₱199,371,391	₱971,361
Cash on hand	14,383	50,000	50,000
	₱1,153,107	₱199,421,391	₱1,021,361

Cash in banks earn minimal interest at the respective bank deposit rates.

10. Receivables, net

This account consists of:

	For the nine months ended September 30		
	2014	2013	December 31, 2013

Non-trade receivables	₱11,174,265	₱382,124,606	₱11,174,215
Advances to officers and employees	555,259,391	91,139,261	59,258,344
Loans receivable	57,681,363	–	8,023,363
Others	50,628,254	130,118,462	–
Total	674,743,273	603,382,329	78,455,922
Allowance for impairment loss	(18,218,191)	(128,774,828)	(18,218,191)
	₱656,525,082	₱474,607,501	₱60,237,731

Non-trade receivables pertain mainly to a receivable from Lodestar Investment Holding Corporation (LIHC) amounting to ₱10.2 million in September 30, 2014 and December 31, 2013.

Advances to officers are due and demandable and subjected for liquidation.

Loans receivable pertains to a 5 year interest bearing loan granted by the Parent Company to its employees and BOD (Eligible Members) for the purchase of the issued shares of the Parent Company. Total loan receivable amounted to ₱8.0 million in September 30, 2014 (₱8.0 million in December 31, 2013). The shares to be acquired by the Eligible Members will be held as collateral for the loan and will only be released to them after the loan is repaid. The Management provided a full allowance for impairment as they believe that the receivables are not recoverable.

The receivables have been reviewed for impairment and impairment losses, if necessary, are recognized accordingly. There are no movements in the allowance for impairment account in September 30, 2014, September 30, 2013 and December 31, 2013.

11. Available for Sale (AFS) Investments

This account consists of:

	As of September 30,		
	2014	2013	December 31, 2013
Quoted			
AgriNurture Inc. (ANI)	₱515,461,651	₱79,522,280	₱75,428,047
Unquoted			
Green Hope (Fujian) Technology Co., Ltd. (GHTCL)	22,500,000	–	22,500,000
Balance at end of quarter/year	₱537,961,651	₱79,522,280	₱97,928,047

AFS investment as at September, 2014 consists of 188,125,379 shares of ANI (9,302,896 shares as at December 31, 2013). The fair value of the AFS investments has been determined based on the quoted amount published by the PSE as at of September 30, 2014.

In 2013, WGVI through its assignee acquired 15% equity interest in GHTC for ₱22.5 million.

The movements of the AFS investments as at September 30, 2014, September 30, 2013 and December 31, 2013 are as follows:

For the nine months ended
September 30,

	2014	2013	December 31, 2013
Balance at beginning of year	₱97,928,047	₱75,436,653	₱78,144,326
Additions	626,719,335	45,431,948	68,214,061
Fair value reserve for AFS investments	(186,685,731)	(41,346,321)	(48,430,340)
Balance at end of the period	₱537,961,651	₱79,522,280	₱724,649,396

Movement in the fair value reserve for AFS investments is as follows:

For the nine months ended September
30,

	2014	2013	December 31, 2013
Balance at beginning of the period	₱(54,428,547)	₱(8,705,880)	₱(5,998,207)
Net change in fair value during the quarter	(186,685,731)	(41,346,321)	(48,430,340)
Balance at end of the quarter	₱(241,114,278)	₱(50,052,201)	₱(54,428,547)

The measurement of fair value of AFS investment in ANI is categorized under level 1, while the AFS investment in GHTCL is measured at cost.

12. Advances for Investments

BHI

On December 4, 2012, BHI entered into an investment agreement with SCB wherein BHI acquired a 64% equity interest in SCB for a total consideration of ₱667.0 million (see Note 1). In December 2012, BHI advanced ₱200 million to SCB as part of the agreed investment in SCB to support the construction of the 18 megawatt bagasse-fired power generation project in San Carlos City, Negros Occidental. In March 2013, additional fund of ₱467.0 million was invested to SCB.

On May 8, 2013, SEC approved the application for the increase in authorized capital stock of SCB. Consequently, the advances for investment were applied to the increase in authorized capital stock.

As of June 30, 2014, the Parent Company received the full amount of considerations for the 60% equity interest in BHI to TLCIF (see Note 7).

TWMRSI

On June 30, 2011, the Parent Company's stockholders approved the acquisition of fifty one percent (51%) of TWMRSI, a domestic corporation engaged in the business of building, operating and managing waste recovery facilities and waste management systems within the Philippines and advanced ₱235.0 million as part of the agreement. The Parent Company acquired the 51% ownership in TWMRSI on March 27, 2012 (see Note 1).

The amount advanced was used to acquire machineries and equipment and steel structures for TWMRSI's waste recycling project. As at September 30, 2014, TWMRSI has not started the construction as it is still finalizing the arrangement for the site where the project will be located.

SREDC

On June 30, 2014, the Parent Company disbursed ₱275 million as advance payment for the subscription of 310,000,000 primary common shares of SREDC.

On July 2, 2014, the Parent Company disclosed and informed the investing public that it executed a Subscription Agreement with SREDC, wherein the Parent Company subscribed to 310,000,000 primary common shares of SREDC from the unissued portion of the latter's outstanding capital stock with a subscription price of 1.00 per share or an aggregate subscription price of 310 million which was fully paid in cash upon execution of the Subscription Agreement. After the issuance of shares, the Company currently holds a total of 62.39% of the total issued and outstanding shares of SREDC.

13. Investment in Associates

Movements in this account follows:

	For the nine months ended September 30,		
	2014	2013	December 31, 2013
MSPI			
Initial cost of investment	₱62,561,379	₱60,512,698	₱62,561,379
Accumulated share in net income/ (losses) -			
Balance at beginning of year	5,947,833	211,942	5,844,236
Equity in net income /(loss) during the quarter/year	1,205,122	–	103,597
Balance at end of quarter/year	7,152,955	211,942	5,947,833
	69,714,334	60,724,640	68,509,212

	For the nine months ended September 30,		
	2014	2013	December 31, 2013
IAC			
Acquisition cost	25,000,000	–	25,000,000
Accumulated share in net gain:			
Balance at beginning of year	(811,268)	–	(89,131)
Equity in net losses during the quarter/year	(275,691)	–	(722,137)
Balance at end of quarter/year	(1,086,959)	–	(811,268)
	23,913,041	–	24,188,732

For the nine months ended September 30,			
SREDC	2014	2013	December 31, 2013
Acquisition cost	–	–	55,000,000
Accumulated share in net gain:	–	–	–
Balance at beginning of year	–	–	–
Equity in net loss during the year	–	–	–
Balance at end of quarter/year	–	–	(57,459)
	–	–	54,942,541
Total	₱93,629,826	₱60,724,640	₱147,640,485

As of September 30, 2014, the Parent Company holds 62.39% of Sunchampshares which was included in the consolidation.

Share in income (loss) in associates presented in the summary below:

For the nine months ended September 30,			
	2014	2013	December 31, 2013
MSPI	₱1,205,122	₱–	₱103,597
IAC	(275,691)	–	(722,137)
SREDC	–	–	(57,459)
	₱929,431	₱–	(₱675,999)

Upon dilution of ownership interest in MSPI from 100% to 39% (see Note 1), the initial cost of investment in MSPI is determined as follows:

	Amount
Net assets at dilution date (August 1, 2011)	
Capital stock	₱16,574,300
Additional paid-in capital	224,209,538
Deficit	(80,370,046)
Net assets	160,413,792
Percentage of ownership	39%
Initial cost of investment in associate	<u>₱62,561,379</u>

Summarized financial information of MSPI, IAC and SREDC are as follows:

MSPI			
September 30,			
	2014	2013	December 31, 2013
Current assets	₱9,884,190	₱16,876,963	₱10,759,992
Noncurrent assets	219,630,288	206,081,309	218,722,949
Current liabilities	5,129,088	2,042,256	41,033,089

Noncurrent liabilities	39,816,887		
Net assets	184,568,504	220,916,016	188,449,852
Revenue	–	3,600,757	5,163,301
Net income (loss)	3,090,057	543,442	265,634

SREDC

	September 30,		
	2014	2013	December 31, 2013
Current assets	₱–	₱–	₱117,039,198
Noncurrent assets	–	–	3,062,850
Current liabilities	–	–	19,875,816
Net assets	–	–	100,226,232
Revenue	–	–	100,000
Net loss	–	–	(1,149,178)

IAC

	September 30,		
	2014	2013	December 31, 2013
Current assets	₱37,320,703	₱–	₱37,320,703
Noncurrent assets	825,031	–	825,031
Current liabilities	11,771,416	–	11,224,937
Net assets	26,374,318	–	26,920,797
Revenue	–	–	–
Net loss	(551,382)	–	(1,444,275)

14. Property and Equipment

Movements in this account are as follows:

	September 30, 2014				
	Land	Construction in Progress	Transportation Equipment	Furniture and Fixtures	Total
Cost					
At January 1, 2014	–	₱	₱2,293,176	₱152,744	₱2,445,920
Additions	11,000,000	22,096,141	228,440		
At September 30, 2014	11,000,000	22,096,141	2,521,616	22,096,141	5,043,232
Accumulated Depreciation					
At January 1, 2014			1,298,154	43,359	1,733,845
Depreciation			435,691	21,186	456,877
At September 30, 2014			1,733,845	64,545	1,798,390
	₱11,000,000	₱22,096,141	₱787,771	₱88,199	₱33,972,111

Depreciation expense of ₱0.4 million for the nine months ended September 30, 2014 and 2013 and ₱0.5 million as of December 31, 2013 and has been charged to administrative expenses (see Note 18).

There are no fully depreciated property and equipment as of September 30, 2014, 2013 and December 31, 2013 that are still being used in operations.

Management has reviewed the carrying values of the Group's property and equipment as of September 30, 2014, 2013 and December 31, 2013 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired.

	December 31, 2013		
	Transportation Equipment	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱2,293,176	₱80,745	₱2,373,921
Additions	–	71,999	71,999
Balance at end year	2,293,176	152,744	2,445,920
Accumulated Depreciation and Amortization			
Balance at beginning of year	855,922	12,560	868,482
Depreciation	442,232	30,799	473,031
Balance at end year	1,298,154	43,359	1,341,513
	₱995,022	₱109,385	₱1,104,407

	September 30, 2013				Total
	Transportation Equipment	Construction in Progress	Furniture and Fixtures	Others	
Cost					
At January 1, 2013	₱2,293,176	₱235,000,000	₱19,194	₱69,587	₱237,381,957
Additions	49,145,633	334,750,944	4,194,481	536,913	388,627,971
Balance at September 30, 2013	51,438,809	569,750,994	4,213,869	606,500	626,009,928
Accumulated Depreciation					
At January 1, 2013	855,922	–	2,906	9,654	868,482
Depreciation	1,873,389	–	58,900	51,354	1,983,643
Balance at September 30, 2013	2,729,311	–	61,806	61,008	2,852,125
	₱48,709,498	₱569,750,994	₱4,151,869	₱545,492	₱623,157,803

15. Other Noncurrent Assets

This account consists of:

	For the nine months ended September 30,		December 31,
	2014	2013	2013
Others	₱179,006	₱-	₱179,006
Advances to projects	61,000,000	-	-
	₱61,179,006	₱-	₱179,006

₱61 Million Advances to Projects related to the project in Rosario, Batangas which are related to partial payments, mobilization and improvements.

16. Trade and Other Payables

This account consists of:

	For the nine months ended September 30,		December 31,
	2014	2013	2013
Trade payables	₱7,124	₱2,552,682	₱26,851
Accrued expenses	966,331	1,162,617	1,366,027
Statutory liabilities	80,870	(66,985)	297,619
Others	3,343,921	4,254,784	242,968
	₱ 4,398,246	₱8,377,231	₱1,933,465

Statutory liabilities are dues and remittances which represent contributions of employees that will be remitted to various government agencies. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

Others include accrual of travel expenses, communication expenses and other operating expenses payable upon demand.

Trade and other payables are settled throughout the year.

17. Capital Stock

The Company has an authorized capital stock of P2 Billion divided into 1.9 Billion common shares at ₱1.00 par value equivalent to P1.9 Billion and 1 Billion preferred shares at P0.10 par value equivalent to P0.1 Billion as at September 30, 2014. As at September 30, 2013 and December 31, 2013, the Company has an authorized capital stock of P2 Billion divided into 200 Billion common shares at P0.01 par value equivalent to P2 Billion. Movements of the shares are as follows:

Authorized capital stock	September 30, 2014		September 30, 2013	
	Number of Shares	Amount	Number of Shares	Amount
Common shares - ₱1.0 par value in 2014; ₱0.01 par value in 2013				
Balance at beginning of year	200,000,000,000	₱2,000,000,000	1,000,000,000	₱1,000,000,000
Increase in authorized capital stock at ₱1.00 per share	-	-	1,000,000,000	1,000,000,000
Conversion of common shares to preferred shares	(100,000,000)	(100,000,000)	-	-
Effect of increase in par value	(198,000,000,000)	-	-	-
	1,900,000,000	1,900,000,000	200,000,000,000	2,000,000,000
Preferred shares -				
Balance at beginning of year	-	₱-	-	₱-
Conversion of common shares to preferred shares	1,000,000,000	100,000,000	-	-
	1,000,000,000	100,000,000	-	₱-
Issued and subscribed				
Common Shares Balance at beginning of year	1,859,528,565	1,859,528,565	142,852,856,500	1,428,528,565
Issuances and subscriptions of shares*	(58,750,000)	(58,750,000)	30,100,000,000	301,000,000
Common Shares Balance at end of year	1,800,778,565	1,800,778,565	172,952,856,500	1,729,528,565
Common Shares Subscription receivable	-	(97,500,000)	-	(460,250,000)
		₱1,703,278,565		₱1,269,278,565

* Net movement due to reclassification of Common Shares to Preferred Shares amounting to P100,000,000.00.

Preferred Shares Balance at beginning of year	-	-	-	-
Issuances and subscriptions of shares	1,000,000,000	100,000,000	-	-
Preferred Shares Balance at end of year	1,000,000,000	100,000,000	-	-
Preferred Shares Subscription receivable	-	-	-	-
	1,000,000,000	₱100,000,000	-	-

Authorized capital stock	December 31, 2013		December 31, 2012	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	200,000,000,000	₱2,000,000,000	100,000,000,000	₱1,000,000,000
Increase in authorized capital stock at ₱0.01 per share	-	-	100,000,000,000	1,000,000,000
	200,000,000,000	₱2,000,000,000	200,000,000,000	2,000,000,000
Issued and subscribed				
Balance at beginning of year	142,852,856,500	1,428,528,565	69,376,000,500	693,760,005
Issuances and subscriptions of shares	43,100,000,000	431,000,000	73,476,856,000	734,768,560
Balance at end of year	185,952,856,500	1,859,528,565	142,852,856,500	1,428,528,565
Subscription receivable	-	(535,250,000)	-	(328,250,000)
		₱1,324,278,565		₱1,100,278,565

The movements of the subscription receivable are as follows:

	For the nine months ended September 30,			
	2014	2013	2012	December 31, 2013
Balance at beginning of year	₱535,250,000	₱359,250,000	₱-	₱328,250,000
(Decrease) Increase	(437,500,000)	101,000,000	359,250,000	207,000,000
Balance at end of quarter/year	₱97,750,000	₱460,250,000	₱359,250,000	₱535,250,000

On March 8, 2012, the SEC approved the increase in authorized capital stock from ₱1.0 billion divided into 100 billion shares with a ₱0.01 par value per common share to ₱2.0 billion divided into 200.0 billion common shares with a ₱0.01 par value per common share.

On June 27, 2013, the BOD approved the restructuring of the authorized capital stock to ₱2.0 billion divided into 1.9 billion common shares at ₱1.0 par value per common share and 1.0 billion preferred shares at ₱0.10 par value per preferred share. On September 15, 2014, the company received the approval by the SEC of the restructuring of the authorized capital stock.

The following summarizes the information on the Group's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares
March 8, 2012	200,000,000,000
June 22, 2011	100,000,000,000
October 15, 2009	5,000,000,000
June 24, 2008	2,450,000,000
December 28, 2007	1,120,000,000
September 7, 2007	160,000,000

The following summarizes the information on the Company's issued and subscribed shares as at September 30, 2014:

	Number of shares issued and subscribed	Percentage of shares
Common Shares owned by the public	1,105,149,768	61.37%
Non-public Shareholdings:		
a. Affiliates, directors and officers	475,535,014	26.41%
b. Principal/substantial stockholders	207,768,560	11.54%
c. Others	12,325,223	0.68%
Total Common Shares	1,800,778,565	
Total Preferred Shares	1,000,000,000	

Of the total shares owned by the public, 251,904,285 shares are foreign owned.

The total number of shareholders of the Company is 1,025 as at September 30, 2014 (1,026 as at December 31, 2013).

The principal market for the Group's capital stock is the Philippine Stock Exchange. The high and low trading prices of the Group's shares are as follows:

Quarter	High	Low
January 2014 to September 2014		
First	₱0.012	₱0.0097
Second	0.011	0.0097
Third	0.012	0.0099
January 2013 to December 2013		
First	0.020	0.019
Second	0.016	0.016
Third	0.015	0.014
Fourth	0.013	0.012
January 2012 to December 2012		
First	0.020	0.018
Second	0.020	0.018
Third	0.020	0.018
Fourth	0.020	0.018

Under an Investment Agreement dated August 15, 2012 with TLCIF, the latter subscribed to 20,776,856,000 primary shares of the Parent Company at an issue price of ₱0.02 per share, equivalent to ₱415,537,300, and the Parent Company issued two (2) Warrant Certificates under

the American call option covering 10,489,500,000 shares with a strike price of ₱0.02 per share and 10,489,500,000 shares of the Parent Company with a strike price of ₱0.03 per share, exercisable within 1 year and 3 years from issuance, respectively. The Parent Company may also issue stock warrants that would allow subscription of up to 8,123,999,500 shares of the Parent Company from its unissued authorized capital stock. The additional warrants shall contain the same terms and conditions as the warrants issued to TLCIF. The first warrant certificates were not exercised in 2013.

On November 15, 2012, the stockholders approved the issuance and listing of warrants in favor of the Corporation's officers and directors under such terms and conditions to be determined by the BOD.

18. General and Administrative Expenses

This account consists of:

	For the nine months ended September 30,			
	2014	2013	2012	December 31, 2013
Salaries and employee benefit	₱2,299,812	₱15,827,890	₱1,015,585	₱2,712,029
Stock transfer and listing cost	465,741	1,622,975	5,131,916	1,907,329
Professional fee	494,460	4,364,372	414,750	458,000
Depreciation	456,877	1,983,643	7,093	473,031
Transportation and travel	334,257	6,007,669	537,796	549,699
Utilities	156,685	1,098,965	126,696	41,299
Legal fees		–	–	–
Representation and entertainment	74,028	219,800	346,753	264,491
Office supplies	23,098	461,707	70,799	129,510
Taxes and licenses	2,333,224	9,875,973	45,398	46,001
Repairs and maintenance	629,112	287,456	27,715	14,956
Rentals	2,500	5,001,025	–	–
Others	218,271	3,741,947	65,721	240,395
	₱7,485,571	₱50,493,423	₱7,790,222	₱6,836,740

19. Other Operating Expenses (Income)

This account consists of:

	Nine months ending September 30			
	2014	2013	2012	December 31, 2013
Impairment loss on other noncurrent assets (Note 15)	₱–	₱–	₱–	(₱7,133,533)

Loss on disposal of AFS investments	-	-	-	-
Provision for impairment loss on receivables	-	-	-	-
Provision for impairment loss on investment in subsidiary	-	-	-	-
Provision for impairment loss on loans receivables	-	-	-	-
Other income (expense)	1,092,202	1,524,298	-	94,852
Total	₱1,092,202	₱1,524,298	₱-	(7,038,681)

20. Discontinued Operations

On December 23, 2010, the stockholders approved the divestment of 61% interest or reduction of interest from 100% to 39% in MSPI and all of its interests in foreign subsidiaries (MSI, Museum and Protelcon), companies engaged in semiconductor business (see Note 1).

The operations of these subsidiaries were presented as discontinued operation in the consolidated statement of comprehensive income. The details are as follows:

	Note	Amount
Sales		₱28,959,364
Cost of sales		(12,920,918)
Gross profit		16,038,446
Operating expenses		(16,904,227)
Operating loss		(865,781)
Impairment loss due to dilution of ownership interest in MSPI		(87,852,413)
Impairment loss recognized on the disposal of foreign subsidiaries constituting the discontinued operation		(87,937,151)
CTA of the divested foreign subsidiaries	6	27,773,440
Loss before tax from discontinued operations		(148,881,905)
Provision for income tax		(3,619,305)
Loss for the year from discontinued operations		(₱152,501,210)

The net cash flows incurred by the disposed subsidiaries are as follows:

	2011
Operating	₱158,169,729
Investing	3,958,075
Financing	(73,588,621)
Net cash inflow (outflow)	₱88,539,183

Loss per share:

	2011
Income (loss) from discontinued operations	(₱152,501,210)
Weighted average number of shares outstanding	58,771,333,583
	(₱0.002597)

There are no dilutive potential ordinary shares for the year ended December 31, 2011. Therefore, the Group's basic and dilutive loss per share from discontinued operation for the years ended December 31, 2012 and 2011 are equal.

21. Related Party Transactions

Related party relationships exist 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders.

Account	Related Party	Relationship	Nature of Transaction	For the nine months ended September 30			
				2014		2013	
				Amount of Transactions	Outstanding Balance	Amount of Transaction	Outstanding Balance
Due from related parties	TLCIF	Stockholder	Noninterest-bearing advances	(₱16,872,110)	₱250,142,630	₱267,014,740	₱267,014,740
	GHTCL	Stockholder	Noninterest-bearing advances	62,500,000	62,500,000	-	-
	MSPI	Associate	Noninterest-bearing advances	40,000	39,717,922	-	39,677,922
	IAC	Subsidiary	Noninterest bearing advances	10,442,987	10,442,987	-	-
	Spring Lover (SL)	Under common control	Noninterest bearing advances	49,610	49,610	49,610	49,610
	SREDC	Under common control	Noninterest bearing advances	383,972	383,972	108,972	108,972
	Earthright Holdings Inc. (EHI)	Stockholder	Noninterest bearing advances	248,155	248,155	4,555	4,555
	Biomass Holdings Inc.	Under common control 2013	Noninterest bearing advances	1,633,004	1,633,004		

	Stockholder		Noninterest bearing advances	₱74,260,059	₱74,260,059	₱-	₱-
	Others			37,313	37,313	1,942,146	1,942,146
					439,415,652		308,797,945
Allowance for impairment loss	MSPI	Associate			(39,677,922)		(39,677,922)
					₱399,737,730		₱269,120,023
Advances to officers	Officers		Noninterest bearing advances	₱62,278,291	₱62,278,291	₱27,758,850	₱27,758,850
Due to related parties	Officers and employees		Noninterest bearing advances	₱-	₱-	₱6,357,141	₱3,448,549
	AgriNurture Inc. (ANI)		Noninterest bearing advances	19,327,047	19,327,047	-	-
	TLCIF		Noninterest bearing advances	-	-	4,338,797	4,338,797
					₱81,605,338		₱35,546,196

December 31, 2013

Due from related parties	₱341,121,776
Due to related parties	(34,677,687)

Key Management Compensation

There has been no short-term or long-term compensation of key management personnel for the period ended September 30, 2014, 2013 and December 31, 2013.

22. Income Tax

Income tax benefit on continuing operations consists of:

For the year ended December 31,

	2013	2012	2011
Current	₱1,897	₱17,468	-
Deferred	(6,955)	(25,501)	-
	(₱5,058)	(₱8,033)	₱-

The reconciliation of the benefit from income tax computed at the statutory income tax rate to benefit from income tax shown in the consolidated statement of comprehensive income (loss) as follow:

	December 31, 2013	December 31, 2012	December 31, 2011
Income tax computed at normal rate of 30%	(₱3,987,212)	(₱10,444,499)	(₱56,477,572)
Non-taxable income subjected to final tax	(378,214)	(701,047)	(2,574)
Share in profit of associate	202,800	(1,646,663)	(79,868)
Non-deductible expenses	82,646	131,025	37,448,954
Unrecognized deferred taxes on temporary differences	2,140,060	6,958,354	12,703,705
Unrecognized deferred tax asset on NOLCO	1,932,965	5,677,329	6,348,828
Unrecognized MCIT	1,897	17,468	58,527
	(₱5,058)	(₱8,033)	₱-

The details of NOLCO and MCIT are as follows:

a. Unrecognized NOLCO

Year Incurred	NOLCO Incurred	Applied	Expired	Ending Balance	Year of Expiry
2013	6,443,216	–	–	6,443,216	2016
2012	18,924,429	–	–	18,924,429	2015
2011	21,162,760	–	–	21,162,760	2014
2010	2,594,290	–	(2,594,290)	–	2013
	₱51,474,038	₱–	(₱2,594,290)	₱48,879,748	

Recognized NOLCO

Year Incurred	NOLCO Incurred	Addition	Application /Expired	Ending Balance	Year of Expiry
2013	–	23,182	–	23,182	2016
2012	85,003	–	–	85,003	2015
2011	182,347	–	–	182,347	2014
	₱267,350	₱23,182	₱–	₱290,532	

b. MCIT

Year Incurred	Beginning balance	Incurred this quarter/year	Written-off	Ending Balance	Year of Expiry
2013	1,897	–	–	1,897	2016
2012	17,468	–	–	17,468	2015
2011	58,527	–	–	58,527	2014
	₱77,892	₱1,847	₱–	₱79,739	

23. Loss per Share

Basic loss per share

	For the nine months ended September 30,		
	2014	2013	December 31, 2013
Net loss attributable to the equity holders of the Parent Company	(₱6,364,447)	(₱19,146,075)	(₱13,753,280)
Issued and subscribed common shares at beginning of year	1,859,528,565	142,852,856,500	142,852,856,500
Effect of issuance and subscription of common shares	(58,750)	30,100,000,000	23,975,000,000
Effect of decrease in subscription receivables	(437,500,000)	–	–
Divided by weighted average number of common shares	1,421,969,815	172,952,856,500	–
Basic loss per share	(₱0.0045)	(₱0.00011)	(₱0.000082)

Dilutive loss per share

	For the nine months ended September 30,		
	2014	2013	December 31, 2013
Net loss attributable to the equity holders of the Parent Company	(₱6,364,447)	(₱19,146,075)	(₱13,753,280)
Issued and subscribed common stocks at beginning of year	1,859,528,565	142,852,856,500	142,852,856,500
Effect of issuance and subscription of common stocks	(58,750)	30,100,000,000	23,975,000,000
Effect of decrease in subscription receivables	(437,500,000)	132,000,000	207,000,000
Average incremental number of stocks of issued warrants	–	–	18,613,499,500
Divided by weighted average number of common shares	1,421,969,815	172,952,856,500	185,648,356,000
Dilutive loss per share	(₱0.0045)	(₱0.00011)	(₱0.000074)

Dilutive potential ordinary shares for the periods ended September 30, 2014, 2013 and December 31, 2013 pertains to issued warrants of the Group (see Note 17). The Group's basic and diluted loss per share for the quarter ended June 30, 2014, 2013 and December 31, 2013 are equal.

24. Non-controlling Interests

Noncontrolling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as follows:

September 30, 2014				
	Share in net assets on acquisition/ incorporation date	Income (loss) for the year	Other comprehensive income	Total
SREDC	₱244,090,492	(₱1,250,535)	₱	₱242,839,957
TWMRSI	872,033	(28,248)	–	843,786
	₱244,962,525	(₱1,278,783)	₱	₱243,683,743

September 30, 2013				
	Share in net assets on acquisition/ incorporation date	Loss for the year	Other comprehensive income	Total
TWMRSI	₱980,000	(₱232,280)	₱–	₱747,720
BHI	631,595,099	(26,490,726)	–	605,104,373
IAC	6,250,000	(1,855,786)		4,394,214
	₱638,825,099	(₱28,578,792)	₱–	₱610,246,307

December 31, 2013				
	Share in net assets on acquisition/ incorporation date	Income (loss) for the year	Other comprehensive income	Total
TWMRSI	₱898,225	(₱13,135)	₱–	₱885,090
BHI	264,996,420	480,766	–	265,477,186
	₱265,894,645	467,631	₱–	₱266,362,276

Other comprehensive income pertains to net exchange difference from translation to presentation currency for the year attributable to noncontrolling interests.

25. Financial Instruments

Financial Risk Management Objectives and Policies

The Group is exposed to variety of financial risks, which result from both its operating, financing and investing activities. The Group's principal financial instruments comprise of cash on hand and in banks, receivables, due from and to related parties and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

Group policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and consolidated financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

Credit risk. Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from deposits with banks, as well as credit exposure to receivables from third and related parties.

The Group trades only with recognized, creditworthy third parties. Also, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant.

For banks, the Group has maintained its business relationships with accredited banks, which are considered in the industry as universal banks. The receivables from related parties are accordingly collected in accordance with the Group's credit policy.

The Group's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

For the nine months ended September 30,			
	2014	2013	December 31, 2013
Cash	₱1,153,107	₱199,371,391	₱971,361
Receivables	656,525,082	474,607,501	60,237,731
Due from related parties	399,737,730	269,120,203	341,121,776
AFS investments	537,961,651	79,522,280	97,928,047
	₱1,595,377,570	₱1,022,621,375	₱500,258,915

Collaterals and other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. As at December 31, 2013 and 2012 the Group's transportation equipment serves as collateral for the interest-bearing loan. Interest rate of the loan is 5.51% per annum.

Credit quality per class of financial assets. The credit quality of the Group's financial assets is evaluated using internal credit rating. High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments. These counterparties include banks, customers and related parties who pay on or before due date.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts.

Impairment assessment. The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectibility. The Group has not recognized an impairment loss on its financial assets using specific assessment amounting to for the six months ended June 30, 2014, 2013 and December 31, 2013.

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

The Group is subject to various market risks, including risks from changes in interest rates and foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk. The financial assets and financial liabilities of the Group are not significantly affected by fluctuations of interest rates. As such, the Group is not materially exposed to interest rate risk.

Foreign currency risk. The financial assets and financial liabilities of the Group are not significantly affected by fluctuations of foreign currency since transactions involving foreign currency are not material to the Group. As such, the Group is not materially exposed to foreign currency risk.

Equity price risk. Equity price risk is the risk that the fair value of quoted AFS investment decreases as the result of changes in the value of individual stocks. The Group's exposure to equity price risk relates primarily to the Group's quoted AFS investments. The Group intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's equity. The reasonably possible change in equity price was based on the year to year change of stock market indices. In quantifying the effect of reasonably possible change in equity price, the expected return on the AFS investment is correlated to the return of the financial market as a whole through the use of beta coefficients. The methods and assumptions used in the analysis remained unchanged over the reporting periods.

The table below summarizes the impact of changes in equity price on the equity:

	2013		2012	
	Increase in equity price	Decrease in equity price	Increase in equity price	Decrease in equity price
Change in equity price	25.39%	25.39%	14.45%	14.45%
Increase (decrease) on equity	₱55,272,931	(₱55,272,931)	₱4,222,119	(₱4,222,119)

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

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

The Group manages its capital structure (total equity) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust or delay the dividend payment to shareholders, and appropriate a percentage of retained earnings towards expansion and capital expenditures.

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

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities as shown in the consolidated statement of financial position. Total equity comprises all components of equity including capital stock, additional paid-in capital, fair value reserve, deficit and non-controlling interest.

For the nine months ended September 30,

	2014	2013	December 31, 2013
Total liabilities	₱136,009,931	₱43,937,895	₱42,408,469
Total equity	1,883,924,889	1,773,908,191	1,513,631,781
Total liabilities and equity	₱2,019,934,820	₱1,817,846,086	₱1,556,040,250
Debt-to-equity ratio	0.07219 :1	0.02477: 1	0.02802: 1

26. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

	September 30, 2014		September 30, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash in bank	₱1,153,107	₱1,153,107	₱199,421,391	₱199,421,391
Receivables	656,525,082	656,525,082	474,607,501	474,607,501
Due from related parties	399,737,730	399,737,730	269,120,203	269,120,203

AFS investments	537,961,651	537,961,651	79,522,280	79,522,280
	₱1,595,377,570	₱1,595,377,570	₱1,022,671,375	₱1,022,671,375
Financial Liabilities				
Trade and other payables	₱4,398,246	₱4,398,246	₱8,377,231	₱8,377,231
Due to related parties	81,605,338	81,605,338	35,543,196	35,543,196
	₱86,003,584	₱86,003,584	₱43,920,427	₱43,920,427

	December 31, 2013	
	Carrying Value	Fair Value
Financial Assets		
Loans and receivables:		
Cash in bank	₱971,361	₱971,361
Receivables	60,237,731	60,237,731
Due from related parties	341,121,776	341,121,776
AFS investments	97,928,047	97,928,047
	₱500,258,915	₱500,258,915
Financial Liabilities		
Trade and other payables	₱1,635,846	₱1,635,846
Due to related parties	34,677,687	34,677,687
	₱36,313,533	₱36,313,533

The fair values of cash in banks, receivables, due from related parties and trade and other payables (excluding statutory liabilities) and due to related parties approximate their carrying amounts due to relatively short-term nature of these financial instruments.

Fair Value Hierarchy

Quoted AFS investments were measured using Level 1 valuation technique. For the nine months ended September 30, 2014, 2013 and December 31, 2013, there were no transfers from Level 1 to Level 2 and Level 3 fair value measurements.

27. Segment Reporting

Business Segments

For management purposes, the Group is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Group operates are as follows:

- The Holding segment is engaged in investment holding;
- The Renewal energy segment is engaged in the business and/or operation of renewable energy system and/or harnessing renewable energy resources;
- The Waste management segment is engaged in the business of building, operating and managing waste recovery facilities; and
- The Semiconductor segment is engaged in the manufacturing, development, sales, marketing and logistics of semiconductor products.

Segment Assets and Liabilities

Segment assets and liabilities include all operating assets used by a segment and consists principally of operating cash, receivables, available for sale investments and property and equipment. Segment liabilities include all operating liabilities and consist principally of trade and other payables and loans.

Segment Transactions

Segment income, expenses and performance include income and expenses from operations. Intercompany transactions are eliminated in consolidation.

Segment Financial Information

The segment financial information is presented as follows:

	September 30, 2014			
	Holding	Renewable Energy	Waste Management	Total
Share in loss of an associate	(P1,724,386)	P-	P-	(P1,724,386)
General and administrative expenses	(2,108,539)	(57,235)	(57,649)	(2,223,423)
Interest income	94,351	-	-	94,351
Depreciation	(228,437)	-	-	(228,437)
Income tax benefit (expense)	-	-	-	-
Net loss	(3,967,011)	(57,235)	(57,649)	(4,081,895)
Income tax benefit (expense)	-	-	-	-
Depreciation	228,437	-	-	228,437
EBITDA	(P3,738,574)	(57,235)	(57,649)	(P3,853,458)
Assets and Liabilities				
Segment assets	P1,205,769,555	P85,089,065	P235,250,071	P1,526,108,691
Segment liabilities	P19,633,234	P-	P55,958	P19,633,234

September 30, 2013				
	Holding	Renewable Energy	Waste Management	Total
Share in income of an associate	₱1,339,110	₱-	₱29,590	₱1,368,700
General and administrative expenses	(5,509,441)	(418,984)	(310,097)	(6,238,522)
Interest income	3,086	74	-	3,160
Depreciation	(45,938)	-	-	-
Income tax benefit (expense)	-	-	-	326,445
Profit (loss) for the year	(4,213,183)	(418,910)	(280,507)	(4,540,217)
Income tax benefit (expense)	-	-	-	-
Depreciation	-	-	-	699,421
EBITDA	(4,213,183)	(418,914)	(280,507)	1,394,250,121
Assets and Liabilities				
Segment assets	1,986,794,186	84,684,603	1,313,778,701	3,385,257,490
Segment liabilities	42,473,157	54,883	33,147,042	75,675,082

December 31, 2013				
	Holding	Renewable Energy	Waste Management	Total
Share in loss of an associate	(₱675,999)	₱-	₱-	(₱675,999)
General and administrative expenses	(6,316,580)	(20,984)	(26,145)	(6,363,709)
Other operating expense - net	(7,038,681)	-	-	(7,038,681)
Interest income	1,260,145	148	420	1,260,713
Depreciation	(473,031)	-	-	(473,031)
Income tax benefit (expense)	(1,897)	-	6,955	5,058
Net loss	(13,246,043)	(20,836)	(18,770)	(13,285,649)
Income tax benefit (expense)	1,897	-	(6,955)	(5,058)
Depreciation	473,031	-	-	473,031
EBITDA	(₱12,771,115)	(₱20,836)	(25,725)	(₱12,817,676)
Assets and Liabilities				
Segment assets	₱1,235,713,890	₱85,082,677	₱ 235,243,683	₱1,556,040,250
Segment liabilities	₱42,336,975	₱-	₱71,494	₱42,408,469

Currently, the Group's operation is only in the Philippines, hence no geographical segment. The Group however has its operating segments in different regions of the country.

28. Loans Payable

4 year Long Term Loan amounting to P50 Million pesos, commencing September 2014.

Current Portion	12,500,000
Non- Current Portion	37,500,000
Total	<u>50,000,000</u>

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Interim 3rd Quarter

Cash increased to P1.15 million as at September 30, 2014 from P1.02 million consolidated at December 31, 2013.

Receivables increased to P656 million in September 30, 2014 from P60.24 million as of December 31, 2013 mainly due to cash advances held by project implementers and officers.

No inventory account is maintained under the group's financial report as of September 30, 2014 and December 31, 2013.

Due from related parties increased to P399 million in September 30, 2014 from P341.12 million consolidated at December 31, 2013 as a result of the Parent Company's continuous support to its subsidiaries and associates in terms of capital and operational expenditures.

Asset classified as held for sale decreased to zero as of September 30, 2014 due to divestment of the 60% equity interest to Biomass Holdings Inc. The Parent Company disclosed to the public that it has received the total consideration for its 60% interest to BHI.

Other current assets increased to P681 thousand in September 30, 2014 from P607 thousand consolidated at December 31, 2013.

Available for sale (AFS) investments increased to P538 million as at September 30, 2014 from P97.93 million consolidated at December 31, 2013. The increase pertains to the additional purchase of shares of AgriNurtire Inc. (ANI). Fair value has been quoted as of September 30, 2014.

Investment in associate decreased to P93 million in September 30, 2014 from P147.64 million at December 31, 2013 as a result of the reclassification of SREDC to Investment in Subsidiaries.

An advance for waste recycling project is constant amounting to P235.0 million at September 30, 2014 and December 31, 2013 as the project is ongoing.

Property and equipment increased to P33 million in September 30, 2014 from P1.1 million as at December 31, 2013 mainly due to recognition of property, plant, and equipment.

Trade and Other Payables increased to P4.3 million in September 30, 2014 compared to the December 31, 2013 amounting to P1.93 million as a result of increase in business activities.

Total liabilities increased to P136 million in September 30, 2014 from P42.41 million in December 31, 2013 mainly due to the credit facility granted to SREDC.

Share capital increased to P1.80 billion in September 30, 2014 from P1,324.28 billion as at December 31, 2013 due to additional issuance of capital stock.

Non controlling interest decreased to P243 million in September 30, 2014 from P266.4 million as at December 31, 2013 due to divestment of BHI which the Parent Company owns 60% equity interest.

Revenue during the period is composed mostly of interest income from funds deposited with the banks. The Company did not recognize any sales revenue for the second quarter of 2014.

Discussion and Analysis of Material Events and/or Uncertainties Known to Management.

a. Any known trend, demand, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

There is no known trend, demand, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

b. Any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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 reporting period.

d. Any material commitment for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

The Company has no firm material commitment for capital expenditures.

e. Any known trend, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

There Company has no known trend, events or uncertainties that have has or that are reasonably expected to have a material impact on the sales from operations.

f. Any significant element of income or loss that did not arise from the issuer's continuing operations.

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

g. The causes for any material change from period to period.

The total assets of the Company as of September 30, 2014 totaled P2,020 million, creating a net increase of P463.89 million from P1,556.04 million as of December 31, 2013. This is mainly due to the increase in Available for Sale Investments.

There is a minimal increase in Cash. Receivables increased to P656 million mainly due to cash advances held by project implementers for future venture of the Company. Due from related parties increased by P399 million due to continuous support of Parent Company to its subsidiaries and associates in terms of capital and operational expenditures.

In the noncurrent asset portion, available for sale investments was increased by P537 million due to restatement based on the quoted amount published by the PSE as of September 30, 2014. Investment in associate decreased by P93 million due to reclassification of Investment in Associate to Investment in Subsidiary.

The total liabilities at September 30, 2014 increased to P136 million from P42.41 million at December 31, 2013 consolidated as a result advances received from related parties and officers used to support the operations of various subsidiaries and associates.

Share capital increased by P1,803.28 billion as of September 30, 2014 as a result of subscriptions received from various stockholders.

The Parent Company has no sales revenue for the 3rd quarter of 2014 since it began its venture into other business opportunities. While the Company remain cautious on further growth this year, we are optimistic that the Company's recent ventures, particularly in the field of renewable energy and waste recycling will yield positively as they take fruition in the coming periods.

h. Any seasonal aspect that has a material effect on the financial condition or results of operations.

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

Key Performance Indicators

The top 5 key performance indicators for the Company's business are shown below:

Key performance indicators

	For the nine months ended September 30,		
	2014	2013	December 31, 2013
Current ratio	10.74:1	21.66:1	25.33:1
Debt to equity ratio	0.07:1	0.02:1	0.03:1
Bank debt to equity ratio	0.027:1		
Loss per share	(0.00466)	(0.00011)	(0.000082)
Return on equity	(0.00:1)	(0.03:1)	(0.01:1)

1. Current assets divided by current liabilities
2. Total liabilities divided by equity
3. Bank loan divided by equity
4. Loss divided by shares outstanding
5. Income divided by equity

Definition of 'Liquidity Ratios'

A class of financial metrics that is used to determine a company's ability to pay off its short-term debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts.

Common liquidity ratios include the current ratio, the quick ratio and the operating cash flow ratio. Different analysts consider different assets to be relevant in calculating liquidity. Some analysts will calculate only the sum of cash and equivalents divided by current liabilities because they feel that they are the most liquid assets, and would be the most likely to be used to cover short-term debts in an emergency.

A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment. Bankruptcy analysts and mortgage originators frequently use the liquidity ratios to determine whether a company will be able to continue as a going concern.

Definition of 'Solvency Ratio'

One of many ratios used to measure a company's ability to meet long-term obligations. The solvency

ratio measures the size of a company's after-tax income, excluding non-cash depreciation expenses, as compared to the firm's total debt obligations. It provides a measurement of how likely a company will be to continue meeting its debt obligations.

The measure is usually calculated as follows:

$$\text{Solvency Ratio} = \frac{\text{After Tax Net Profit} + \text{Depreciation}}{\text{Long Term Liabilities} + \text{Short Term Liabilities}}$$

Definition of 'Debt/Equity Ratio'

A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

$$= \frac{\text{Total Liabilities}}{\text{Shareholders Equity}}$$

Note: Sometimes only interest-bearing, long-term debt is used instead of total liabilities in the calculation.

Also known as the Personal Debt/Equity Ratio, this ratio can be applied to personal financial statements as well as corporate ones.

A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing. If this were to increase earnings by a greater amount than the debt cost (interest), then the shareholders benefit as more earnings are being spread among the same amount of shareholders. However, the cost of this debt financing may outweigh the return that the company generates on the debt through investment and business activities and become too much for the company to handle. This can lead to bankruptcy, which would leave shareholders with nothing.

The debt/equity ratio also depends on the industry in which the company operates. For example, capital-intensive industries such as auto manufacturing tend to have a debt/equity ratio above 2, while personal computer companies have a debt/equity of under 0.5.

Definition of 'Interest Coverage Ratio'

A ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

The lower the ratio, the more the company is burdened by debt expense. When a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. An interest coverage ratio below 1 indicates the company is not generating sufficient revenues to satisfy interest

expenses.

Definition of 'Return On Equity - ROE'

The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

Return on Equity = Net Income/Shareholder's Equity
Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Shareholder's equity does not include preferred shares.

Also known as "return on net worth" (RONW).

The ROE is useful for comparing the profitability of a company to that of other firms in the same industry.

There are several variations on the formula that investors may use:

1. Investors wishing to see the return on common equity may modify the formula above by subtracting preferred dividends from net income and subtracting preferred equity from shareholders' equity, giving the following: return on common equity (ROCE) = net income - preferred dividends / common equity.
2. Return on equity may also be calculated by dividing net income by *average* shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity at the beginning of a period to the shareholders' equity at period's end and dividing the result by two.
3. Investors may also calculate the change in ROE for a period by first using the shareholders' equity figure from the beginning of a period as a denominator to determine the beginning ROE. Then, the end-of-period shareholders' equity can be used as the denominator to determine the ending ROE. Calculating both beginning and ending ROEs allows an investor to determine the change in profitability over the period.

Financial Soundness Indicators
September 30, 2014, 2013 and december 31, 2013

		For the nine months ended September 30		
		2014	2013	31-Dec-13
i. Currency/ liquidity ratios				
Current Ratio		10.74:1	21.66:1	25.33:1
Current Ratio =	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{1,058,097,030.00}{98,509,931.00}$	$\frac{951,766,229.00}{43,937,895.00}$	$\frac{1,074,093,109.00}{42,408,469.00}$
Quick Ratio				
Quick Ratio =	$\frac{\text{Current Assets- Inventories- Prepayments}}{\text{Current Liabilities}}$	$\frac{98,509,931.00}{98,509,931.00}$	$\frac{43,937,895.00}{43,937,895.00}$	$\frac{42,408,469.00}{42,408,469.00}$
ii. Solvency ratios/ debt- to- equity ratios				
Solvency Ratio		-0.06:1	-1.13:1	-0.32:1
Solvency ratio =	$\frac{\text{After tax net profit + Depreciation (Non-cash expenses)}}{\text{Total Liabilities}}$	$\frac{(8,100,107.00)}{136,009,931.00}$	$\frac{(49,708,510.00)}{43,937,895.00}$	$\frac{(13,758,680.00)}{42,408,469.00}$
Debt to equity ratio		0.07:1	0.02:1	0.03:1
Debt to equity ratio =	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	$\frac{136,009,931.00}{1,883,924,889.00}$	$\frac{43,937,895.00}{1,773,908,191.00}$	$\frac{42,408,469.00}{1,513,631,781.00}$
iii. Asset -to- equity ratio				
Asset -to- equity ratio		1.07:1	1.02:1	1.03:1
Asset-to-equity ratio =	$\frac{\text{Total Assets}}{\text{Total Equity}}$	$\frac{2,019,934,820.00}{1,883,924,889.00}$	$\frac{1,817,846,086.00}{1,773,908,191.00}$	$\frac{1,556,040,250.00}{1,513,631,781.00}$
iv. Interest rate coverage ratio				
Interest rate coverage ratio		0.00%	0.00%	0.00%
Interest rate coverage ratio =	$\frac{\text{Earning before Interest and tax (EBIT)}}{\text{Interest Expense}}$	$\frac{(7,643,230.00)}{7,643,230.00}$	$\frac{(47,724,867.00)}{47,724,867.00}$	$\frac{(13,285,649.00)}{13,285,649.00}$
v. Profitability ratio				
Return on equity (ROE)		-0.00:1	-0.03:1	-0.01:1
Return on equity =	$\frac{\text{Net Profit}}{\text{Total Equity}}$	$\frac{(7,643,230.00)}{1,883,924,889.00}$	$\frac{(47,724,867.00)}{1,773,908,191.00}$	$\frac{(13,285,649.00)}{1,513,631,781.00}$
Gross Margin		0.00%	0.00%	0.00%
Gross Margin =	$\frac{\text{Gross Profit}}{\text{Revenues}}$	$\frac{5,112.00}{5,112.00}$	$\frac{1,244,258.00}{1,244,258.00}$	$\frac{1,260,713.00}{1,260,713.00}$
Net Margin		-1495.15%	-38.36%	-10.54%
Net Margin =	$\frac{\text{Net Profit}}{\text{Revenues}}$	$\frac{(7,643,230.00)}{5,112.00}$	$\frac{(47,724,867.00)}{1,244,258.00}$	$\frac{(13,285,649.00)}{1,260,713.00}$

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.

Issuer **GREENERGY HOLDINGS, INC.**



Signature: ANTONIO L. TIU
President / Chief Executive Officer

Date: November 19, 2014



Signature: KENNETH S. TAN
Chief Financial Officer

Date: November 19, 2014