

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended
Sep 30, 2014
2. SEC Identification Number
10020
3. BIR Tax Identification No.
000-596-509
4. Exact name of issuer as specified in its charter
MJC INVESTMENTS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
12TH FLOOR STRATA 100 BLDG., F. ORTIGAS JR. ROAD, ORTIGAS CENTER,
PASIG CITY
Postal Code
1605
8. Issuer's telephone number, including area code
(02)632-7373
9. Former name or former address, and former fiscal year, if changed since last report
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	2,500,614,159

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE, COMMON SHARES
12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

MJC Investments Corporation

MJIC

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2014
Currency (indicate units, if applicable)	Php

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2014	Dec 31, 2013
Current Assets	1,041,810,998	1,541,420,482
Total Assets	2,402,037,390	2,390,239,507
Current Liabilities	109,435,833	83,338,756
Total Liabilities	109,435,833	83,338,756
Retained Earnings/(Deficit)	-102,464,047	-88,164,854

Stockholders' Equity	2,292,601,558	2,306,900,751
Stockholders' Equity - Parent	-	-
Book Value per Share	0.91	0.92

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	-	-	-	-
Other Revenue	2,577,479	2,040,915	8,569,448	6,267,828
Gross Revenue	2,577,479	2,040,915	8,569,448	6,267,828
Operating Expense	7,888,315	11,661,960	21,154,751	32,071,451
Other Expense	-	-	-	-
Gross Expense	7,888,315	11,661,960	21,154,751	32,071,451
Net Income/(Loss) Before Tax	-5,310,836	-9,621,045	-12,585,303	-25,803,623
Income Tax Expense	515,496	408,136	1,713,890	1,253,519
Net Income/(Loss) After Tax	-5,826,332	-10,029,181	-14,299,193	-27,057,142
Net Income Attributable to Parent Equity Holder	-	-	-	-
Earnings/(Loss) Per Share (Basic)	-0	-0	-0	-0.01
Earnings/(Loss) Per Share (Diluted)	-0	-0	-0	-0.01

Other Relevant Information

-

Filed on behalf by:

Name	Lemuel Santos
Designation	Corporate Information Officer



111122014001766



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Type Stock Corporation

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M J C I N V E S T M E N T S C O R P O R A T I O N

(Company's Full Name)

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O R T I G A S C E N T E R , P A S I G C I T Y

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

ATTY. LEMUEL M. SANTOS
Contact Person

632-7373
Company's Telephone Number

Quarterly Report for the period ended September 30, 2014

1 2 3 1
Month Day
Fiscal Year

1 7 - Q
FORM TYPE

0 6 2 7
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2014
2. Commission identification number 10020 3. BIR Tax Identification No. 000-596-509
4. Exact name of issuer as specified in its charter **MJC INVESTMENTS CORPORATION**
5. Philippines 6. Holding Company
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. 12/F Strata 100 Building 1605
F. Ortigas Jr. Road (formerly "Emerald Avenue")
Ortigas Center, Pasig City Postal Code
Address of principal office
8. 632-7373
Registrant's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	2,500,614,159

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

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc.

Common shares

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

- Please see attached -

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

Total current assets as of September 30, 2014, amounted to **₱1,041.81** Million showing a decrease of **₱499.61** Million or **(32.41%)** as compared to the December 31, 2013 balance of **₱1,541.42** Million. The decrease is predominantly due to the capital expenditures for the hotel entertainment project.

Total non-current assets as of September 30, 2014, increased to **₱1,360.23** Million from the balance of **₱848.82** Million as of December 31, 2013, with an increase of **₱511.41** Million or **60.25%**. The increase is due to the project related capital expenditures classified under the property, plant and equipment, generally comprise of the (CIP) construction in progress.

Accrued expenses and other liabilities as of September 30, 2014, amounted to **₱109.44** Million showing an increase of **₱26.11** Million or **31.33%**, compared to the December 31, 2013 balance of **₱83.33** Million. The increase is mainly due to the reversal of outstanding checks and retention monies payable to contractors.

For the nine-month period ending September 30, 2014, the Company's revenues amounted to **₱8.57** Million. There was an increase of **₱2.3** Million compared to the income for the same period in 2013 amounting to **₱6.27** Million. Revenues for the two year periods are merely attributable to the interest earned on savings and short term investments.

Costs and expenses for the nine-month period ended September 30, 2014 and for the same period in 2013 amounted to **₱22.87** Million and **₱33.32** Million respectively. Salaries and wages indicated the large percentage of the expenses for both three quarters of 2014 and 2013.

Net loss amounted to **₱14.30** Million for the nine-month period ending September 30, 2014. There was a decrease of **₱12.76** Million from the net loss of **₱27.06** Million for the same period in 2013.

The following are the comparative key performance indicators of the Company and the manner of its computation as of the period ended September 30, 2014 and 2013:

Indicators	Manner of Computation	As of the Period Ended	
		Sept. 30, 2014	Sept. 30, 2013
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	9.52:1	2.33:1
Debt Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equities}}$	0.05:1	0.20:1
Asset Liability Ratio	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	21.95:1	5.95:1
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	(0.60%)	(1.80%)
Basic Earnings (Loss) Per Share	$\frac{\text{Net Loss}}{\text{Ave. Outstanding Common Shares}}$	(P0.006)	(P0.019)

Current ratio is regarded as a measure of the Company's liquidity or its ability to meet maturing obligations. As of September 30, 2014, the current ratio increased to 9.52 compared to 2.33 as of September 30, 2013. The outstanding payable in 2014 largely comprises of project related expenditures. The Company has P9.52 current assets to support a P1.00 current liability. The company is very liquid and capable of meeting all its obligations.

The debt to equity ratio measures the riskiness of the Company's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of September 30, 2014 and for the same period in 2013 the debt to equity ratio is 0.05 and 0.20 respectively. The result of low debt to equity ratio indicates lower risk, as debt holders have lesser claims on the company's assets.

The asset-liability ratio, exhibits the relationship of the total assets of the Company with its total liabilities. As of September 30, 2014, the ratio increased to 21.95 from 5.95 on September 30, 2013. The result indicates that for every P1.00 of liability, the Company has P21.95 of assets.

Return on Assets is computed by dividing net income over total assets. This allows the company to see how much the income is per peso asset. As of September 30, 2014, the company incurred losses and resulted to the percentage of (0.60%) compared to (1.80%) during the same period in 2013. Operating Ratio such this asset turnover is irrelevant at this point considering the company's on-going construction of the hotel-entertainment project, thus not yet operational.

As of September 30, 2014, the Company's loss per share is (P0.006) from (P0.019) as of the same period in 2013.

There are no known events or uncertainties that will have a material impact on liquidity.

There are no material-off balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are substantial commitments on capital expenditures, specifically for the on-going construction of the Hotel-Entertainment project on its property located in Sta. Cruz, Manila.

PART II—OTHER INFORMATION

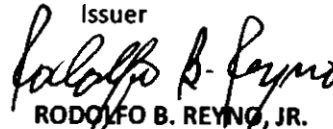
There are no material information which had not been previously disclosed under SEC Form 17-C.

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.

MJC INVESTMENTS CORPORATION

Issuer



RODOLFO B. REYNO, JR.
Chief Finance Officer

Date: November 2, 2014



LEMUEL M. SANTOS
Corporate Information Officer

MJC INVESTMENTS CORPORATION
BALANCE SHEETS

	September 30, 2014	December 31, 2013
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash in banks (Notes 5, 17 and 18)	635,777,647	1,214,469,681
Advances and other receivables (Notes 6, 17 and 18)	241,077,845	223,220,496
Deposit / Prepayment	1,094,090	900,090
Input value added tax (VAT) (Note 7)	163,861,416	102,830,215
Total Current Assets	1,041,810,998	1,541,420,482
Noncurrent Assets		
Property and equipment (Note 8)	1,356,613,583	841,896,050
Input value added tax (VAT) (Note 7)	3,612,809	6,922,975
Total Noncurrent Assets	1,360,226,392	848,819,025
TOTAL ASSETS	2,402,037,390	2,390,239,507
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Notes 9, 17 and 18)	109,435,833	83,332,756
Deposit for future stock subscription	-	-
Income tax payable	-	6,000
Total Liabilities	109,435,833	83,338,756
Equity		
Capital stock (Note 13)	2,395,065,605	2,395,065,605
Deficit	(102,464,047)	(88,164,854)
Total Equity	2,292,601,558	2,306,900,751
TOTAL LIABILITIES AND EQUITY	2,402,037,390	2,390,239,507

MJC INVESTMENTS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 and 2013
(Unaudited)

	2014	2013
INVESTMENT GAINS (LOSSES)		
Gains (losses) on fair value changes of held for trading investments	-	-
Gain on sale of held for trading investments	-	-
EXPENSES		
Salaries and Wages	13,085,547	14,443,184
Filing and listing fees	282,050	7,297,960
Meetings and conferences	2,583,781	3,168,514
Transportation and Travel	2,439,586	3,407,499
Professional Fees	1,009,750	1,604,980
Director's fees (Note 12)	707,000	746,000
Rental Expense	216,250	482,600
Representation	13,136	98,563
Supplies	69,843	47,169
Utilities	73,247	48,225
Taxes and Licenses	25,362	284,523
Depreciation (Note 8)	344,545	18,392
Brokerage fee and other related expenses	-	-
Others	304,655	423,842
	21,154,751	32,071,451
OTHER INCOME (CHARGES)		
Dividend income	-	-
Interest income (Note 10)	8,569,448	6,267,828
	8,569,448	6,267,828
INCOME (LOSS) BEFORE INCOME TAX	(12,585,303)	(25,803,623)
PROVISION FOR (BENEFIT FROM)	1,713,890	1,253,519
INCOME TAX (Note 11)	1,713,890	1,253,519
NET INCOME (LOSS)	(14,299,193)	(27,057,142)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(14,299,193)	(27,057,142)
Basic/Diluted Earnings (Losses) Per Share (Note 14)	(P 0.006)	(P 0.019)

MJC INVESTMENTS CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED SEPTEMBER 30, 2014 and 2013
(Unaudited)

	2014	2013
INVESTMENT GAINS (LOSSES)		
Gains (losses) on fair value changes of held for trading investments	-	-
Gain on sale of held for trading investments	-	-
	-	-
EXPENSES		
Salaries and Wages	5,171,356	3,444,736
Filing and listing fees	17,000	6,056,894
Meetings and conferences	904,483	713,663
Transportation and Travel	863,803	701,494
Professional Fees	487,950	333,680
Director's fees (Note 12)	-	143,500
Rental Expense	163,125	9,375
Representation	13,136	-
Supplies	27,937	19,052
Utilities	39,597	13,500
Taxes and Licenses	1,710	-
Depreciation (Note 8)	132,969	15,816
Brokerage fee and other related expenses	-	-
Others	65,250	210,250
	7,888,315	11,661,960
OTHER INCOME (CHARGES)		
Dividend income	-	-
Interest income (Note 10)	2,577,479	2,040,915
	2,577,479	2,040,915
INCOME (LOSS) BEFORE INCOME TAX	(5,310,836)	(9,621,045)
PROVISION FOR (BENEFIT FROM)		
INCOME TAX (Note 11)	515,496	408,136
NET INCOME (LOSS)	(5,826,332)	(10,029,181)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(5,826,332)	(10,029,181)
Basic/Diluted Earnings (Losses) Per Share (Note 14)	(P 0.002)	(P0.007)

MJC INVESTMENTS CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2014, AND 2013

	Capital Stock			Additional	Deficit	Total
	Subscribed	Subscription	Net			
BALANCES AT DECEMBER 31, 2012*	237,902,978	(71,681,877)	166,221,101	-	(47,938,131)	118,282,970
Collection of subscription receivables	-	39,786,281	39,786,281	-	-	39,786,281
Subscription of Capital Stock	2,262,711,181	(73,652,958)	2,189,058,223	-	-	2,189,058,223
Transaction cost on issuance of Capital Stock	-	-	-	-	(8,309,555)	(8,309,555)
Total comprehensive loss for the year	-	-	-	-	(31,917,168)	(31,917,168)
BALANCES AT DECEMBER 31, 2013*	2,500,614,159	(105,548,554)	2,395,065,605	-	(88,164,854)	2,306,900,751
Additional Subscription**	-	-	-	-	-	-
Collection of subscription receivables**	-	-	-	-	-	-
Transaction cost on Stock issuance**	-	-	-	-	-	-
Total comprehensive loss for the period**	-	-	-	-	(14,299,193)	(14,299,193)
BALANCES AT SEPTEMBER 30, 2014**	2,500,614,159	(105,548,554)	2,395,065,605	-	(102,464,047)	2,292,601,558

BALANCES AT DECEMBER 31, 2011*	237,902,978	(98,657,131)	139,245,847	2,528,624	(37,364,193)	104,410,278
Collection of subscription receivables	-	26,975,254	26,975,254	-	-	26,975,254
Transaction cost on property-for-share exchange	-	-	-	(2,528,624)	(475,376)	(3,004,000)
Total comprehensive loss for the year	-	-	-	-	(10,098,562)	(10,098,562)
BALANCES AT DECEMBER 31, 2012*	237,902,978	(71,681,877)	166,221,101	-	(47,938,131)	118,282,970
Additional Subscription**	1,198,198,168	(55,239,719)	1,142,958,449	-	-	1,142,958,449
Collection of subscription receivables**	-	21,373,042	21,373,042	-	-	21,373,042
Transaction cost on Stock issuance**	-	-	-	-	(2,986,991)	(2,986,991)
Total comprehensive loss for the period**	-	-	-	-	(27,057,142)	(27,057,142)
BALANCES AT SEPTEMBER 30, 2013**	1,436,101,146	(105,548,554)	1,330,552,592	-	(77,982,264)	1,252,570,328

* Audited

** Unaudited

MJC INVESTMENTS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 and 2013
(Unaudited)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(12,585,303)	(25,803,623)
Adjustments for:		
Unrealized losses (gains) on fair value changes of held for trading investments	-	-
Dividend income	-	-
Interest income (Note 10)	(8,569,448)	(6,267,828)
Depreciation (Note 8)	344,545	18,392
Operating loss before working capital changes	(20,810,206)	(32,053,059)
Decrease (increase) in:		
Held for trading investments	-	-
Receivables	(17,857,349)	-
Input value added tax	(57,721,035)	(21,108,708)
Prepayments	(194,000)	-
Increase in accrued expenses and other liabilities	26,103,077	21,413,203
Net cash generated from (used in) operations	(70,479,513)	(31,748,564)
Income taxes paid, including creditable withholding and final taxes	(1,719,890)	(1,253,519)
Net cash flows provided by (used in) operating activities	(72,199,403)	(33,002,083)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	(515,062,078)	(214,691,181)
Interest received	8,569,448	6,267,828
Net cash flows provided by (used in) investing activities	(506,492,630)	(208,423,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of capital stock	-	488,431,492
Deposit for future stock subscription	-	218,750,000
Payment of taxes on issuance of shares	-	(2,986,991)
Increase in Due to Related Parties	-	-
Net cash flows provided by (used in) financing activities	-	704,194,501
NET INCREASE(DECREASE) IN CASH	(578,692,034)	462,769,065
CASH AT BEGINNING OF YEAR	1,214,469,681	8,892,026
CASH AND CASH EQUIVALENTS AT END OF THE PERIODS	635,777,647	471,661,091

MJC INVESTMENTS CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED SEPTEMBER 30, 2014 and 2013
(Unaudited)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(5,310,836)	(9,621,046)
Adjustments for:		
Unrealized losses (gains) on fair value changes of held for trading investments	-	-
Dividend income	-	-
Interest income (Note 10)	(2,577,479)	(2,040,915)
Depreciation (Note 8)	132,969	18,392
Operating loss before working capital changes	(7,755,346)	(11,643,569)
Decrease (increase) in:		
Held for trading investments	-	-
Receivables	(6,903,917)	-
Input value added tax	(26,402,780)	(16,932,711)
Prepayments	(180,000.00)	-
Increase in accrued expenses and other liabilities	46,489,183	11,295,256
Net cash generated from (used in) operations	5,247,141	(17,281,024)
Income taxes paid, including creditable withholding and final taxes	(515,496)	(404,636)
Net cash flows provided by (used in) operating activities	4,731,645	(17,685,660)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	(268,149,774)	(179,240,169)
Interest received	2,577,479	2,040,915
Net cash flows provided by (used in) investing activities	(265,572,295)	(177,199,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of capital stock	-	29,295,478
Collection of subscription receivable	-	218,750,000
Payment of taxes and licenses for property for share exchange	-	(369,491)
Increase (Decrease) in Due to Related Parties	-	(29,101)
Net cash flows provided by (used in) financing activities	-	247,646,886
NET INCREASE (DECREASE) IN CASH	(260,840,650)	52,761,972
CASH AT BEGINNING OF QUARTER	896,618,297	418,899,119
CASH AND CASH EQUIVALENTS AT END OF THE QUARTERS	635,777,647	471,661,091

MJC INVESTMENTS CORPORATION
AGING SCHEDULE OF RECEIVABLES
AS OF SEPTEMBER 30, 2014
(Unaudited)

Particulars	Current	1-30 days	31-60 days	61-120 days	121-180 days	181-360 days	Over 1 Year	Total
Receivables from SPPC				-	-	300,000	113,484,393	113,784,393
Interest Receivables	-							-
Advances to Affiliate	-							-
Advances & Other Receivables	127,293,452							127,293,452
Total	127,293,452	-	-	-	-	300,000	113,484,393	241,077,845

MJC INVESTMENTS CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

MJC Investments Corporation (the "Company"), was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. On November 11, 1955, the Company was listed in the Philippine Stock Exchange (PSE). The following are the series of changes in corporate name and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

Date	Corporate Name
February 12, 1997	Ebecom Holdings Inc.
September 25, 2003	Aries Prime Resources, Inc.
September 30, 2008	MJCI Investments, Inc.
October 15, 2009	MJC Investments Corporation

In 2005, the SEC approved the extension of the Company's corporate life for another fifty years starting July 2005.

On April 16, 2008, the Board of Directors (BOD) accepted the offer of Manila Jockey Club, Inc. (MJCI) for the Company to be the transferee of MJCI's non-core assets (including real estate properties and gaming machinery and equipment) under a property-for-share exchange .

On January 19, 2010, the SEC approved the amendment of the Company's primary purpose from engaging in mining operation to that of an investment holding company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

The registered office address of the Company is 12th Floor, Strata 100 Building, Emerald Avenue, Ortigas Center, Pasig City.

2. **Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures**

Basis of Preparation

The financial statements of the Company have been prepared using the historical cost basis. The financial statements are presented in Philippine Peso (Peso, ₱), the Company's functional currency, and rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes Philippine Accounting Standards (PAS) and Philippine interpretation of International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following standards and interpretations mandatory beginning January 1, 2013. Unless otherwise indicated, the adoption of these new and amended standards and interpretations do not have a material impact on the Company's financial statements.

New Accounting Standards, Interpretations and Amendments Effective in 2013

- *PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;

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

The amendments have no impact on the Company's financial position or performance.

- **PFRS 10, Consolidated Financial Statements**
PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- **PFRS 11, Joint Arrangements**
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.
- **PFRS 12, Disclosure of Interests in Other Entities**
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).
- **PFRS 13, Fair Value Measurement**
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 17 to the financial statements.

- **PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)**
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items of OCI are classified through profit or loss in the future periods.
- **PAS 19, *Employee Benefits* (Revised)**
For defined benefit plans, the revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee’s entitlement to the benefits. In addition, the revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company’s financial position and financial performance.

- **PAS 27, *Separate Financial Statements* (as revised in 2011)**
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.
- **PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)**
As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- **Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine***

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

- **PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)**

The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. These amendments to the following standards, which the Company adopted, have no impact to the financial statements:

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*;
- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*;
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*;
- PAS 32, *Financial Instruments: Presentation - Tax Effects of Distributions to Holders of Equity Instruments*; and
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of the issuance of the financial statements are listed below. Unless otherwise stated, the adoption of the applicable standards will not have an impact on the financial statements. The Company intends to adopt the applicable standards and interpretations when they become effective.

- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- **PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)**

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- **PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

- **PFRS 10, PFRS 12 and PAS 27, *Investment Entities* (Amendments)**
 These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- **Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)**
 IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

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

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***
 This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The standard has no impact on the Company's financial position and performance.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle), which are expected to have no impact to the financial statements of the Company, contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*;
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*;
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*;
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*;
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*;
- PAS 24, *Related Party Disclosures - Key Management Personnel*;
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle), which are expected to have no impact to the financial statements of the Company, contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS - Meaning of 'Effective PFRSs'*;
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*;
- PFRS 13, *Fair Value Measurement - Portfolio Exception*;
- PAS 40, *Investment Property*.

3. Summary of Significant Accounting and Financial Reporting Policies

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

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

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

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

Financial assets are classified into the following categories:

- a. Financial assets at FVPL
- b. Loans and receivables
- c. Held-to-maturity (HTM) investments
- d. Available-for-sale (AFS) financial assets

Financial liabilities, on the other hand, are classified into the following categories:

- a. Financial liabilities at FVPL
- b. Other financial liabilities

As of September 30, 2014 and December 31, 2013, the Company has no financial assets or financial liabilities at FVPL, HTM investments and AFS financial assets.

The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date.

Loans and receivables

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

Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Included in this category are the Company's cash and cash equivalents and receivables as of September 30, 2014 and December 31, 2013 (see Note 18).

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals) or borrowings (e.g., loans and obligations arising from finance lease). The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

Included in this category are the Company's accounts payable and other current liabilities as of September 30, 2014 and December 31, 2013 (see Note 18).

Determination of Fair Value

The fair value of financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

De-recognition of Financial Assets and Financial Liabilities

Financial assets

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

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

Where the Company 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 Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial liabilities

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

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

Day 1 Difference

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

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

Assets carried at amortized cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial

reorganization. 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 Company of financial assets with similar credit risk characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in profit or loss. 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 reversal date.

Input value added tax (VAT)

Input VAT is recognized when the Company purchases goods or services from a VAT-registered supplier or vendor. This account is offset against any output VAT previously recognized.

Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less impairment in value.

The initial cost of an asset comprise its purchase price, any related capitalizable borrowing costs and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation commences when an asset is in its location and condition capable of being operated in the manner intended by management and ceases at the earlier of the date the assets

are held for sale and the date the assets are derecognized. Depreciation of building improvements is computed on a straight-line basis over the estimated useful life of 3 years.

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

When assets are sold or retired, their costs and accumulated depreciation, and any accumulated impairment in value are eliminated from the accounts. Any gain or loss resulting from their disposal is included in profit or loss.

Construction in progress is stated at cost. This includes cost of construction, borrowing costs incurred during the development or construction phase and other direct costs. Borrowing costs are capitalized until the property is completed and becomes operational. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use. The capitalized interest is amortized over the estimated useful life of the related assets.

Impairment of Nonfinancial Assets

The Company assesses at each balance sheet date whether there is an indication that its property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet 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 value 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 charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deposit for Future Stock Subscription

Deposit for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Company's own equity instruments, and presented in the equity section of the balance sheet. These are measured at cost and are reclassified to capital stock upon issuance of shares.

In accordance with Financial Reporting Bulletin No. 6 issued by the SEC, the following elements should be present as of the balance sheet date in order for the Deposits for Future Stock Subscriptions (DFS) to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the Commission.

If any or all of the foregoing elements are not present, the transaction should be recognized as liability.

Capital Stock

Capital stock represents the portion of the paid in capital representing the total par value of the shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares either subscribed, issued, or both.

Deficit

Deficit represents the cumulative balance of net income or loss, dividend distributions, prior period adjustments and effects of changes in accounting policy.

Basic/Diluted Earnings (Losses) Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to equity holders of the Company for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company currently does not have potential dilutive common shares.

Revenue Recognition

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

Interest income

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

Dividend income

Revenue is recognized when the Company's right to receive the payment is established.

Expenses

Expenses are recognized in profit or loss at the date they are incurred.

Other Comprehensive Income

Items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year are recognized as other comprehensive income and are presented as other comprehensive income in the statement of comprehensive income.

Income Taxes

Current tax

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

Deferred tax

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

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

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

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

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

Provisions and Contingencies

Provisions are recognized when: (1) the Company has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Company expects a provision or loss to be

reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and its amount is estimable.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Segment Reporting

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company has only one reportable segment and is presented in Note 16 to the financial statements.

Events, After the Balance Sheet Date

Events after the balance sheet date that provide additional information about the Company's position at the balance sheet date (adjusting events), if any, are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

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

Recognition of deferred tax assets

The Company makes an estimate of its future taxable income and reviews the carrying amount of the deferred tax assets at each balance sheet date. The carrying amount is 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 tax assets to be utilized.

As of September 30, 2014 and December 31, 2013 and 2012, no deferred tax assets on the Company's unused NOLCO and excess MCIT were recognized as management believes that the Company may not have sufficient taxable income against which the excess MCIT and unused NOLCO may be applied (see Note 11).

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 financial years are discussed below.

Determination of fair value of financial instruments

Financial assets and financial liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and financial liabilities on initial recognition are normally the transaction prices. In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique: (a) Level 1 - quoted prices in active markets for identical assets and liabilities; (b) Level 2 - inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and (c) Level 3 - inputs that are not based on observable market data or unobservable inputs.

Estimation of allowance for doubtful accounts

The allowance for doubtful accounts relating to receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total allowance to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, judgment is used based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves against amounts due to reduce receivable amounts expected to be collected. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is made.

The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Company's allowance for doubtful accounts will increase its recorded operating expenses and decrease its current assets.

The carrying value of receivables as of September 30, 2014 and December 31, 2013 are disclosed in Note 6 to the financial statements. No provision for doubtful accounts was recognized in 2014, and 2013.

Estimation of the useful life of property and equipment

The useful lives of each of the Company's property and equipment are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are 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 assets. It is possible however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets. There were no changes in the estimated useful life of the property and equipment in 2014 and 2013.

As of September 30, 2014 and December 31, 2013, the carrying value of property and equipment are disclosed in Note 8 to the financial statements.

Impairment of nonfinancial assets

The Company assesses at each balance sheet date whether there is any indication that property and equipment may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use.

No impairment loss was recognized in September 2014, 2013 and 2012, for input VAT and property and equipment. Based on management's assessment, there are no indications of impairment on the Company's nonfinancial assets.

The carrying values of the property and equipment are disclosed in Note 8 to the financial statements.

Recoverability of input VAT

The Company assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT as of September 30, 2014 and December 31, 2013, are recoverable and are disclosed in Note 7 to the financial statements.

Provisions

The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at balance sheet date, net of any estimated amount that may be reimbursed to the Company. No provisions were recognized as of September 30, 2014 and December 31, 2013.

5. Cash and Cash Equivalents

This account consists of:

	September 2014	December 2013
Cash on hand	₱50,000	₱50,000
Cash in banks	57,742,390	65,613,458
Cash equivalents	577,985,257	1,148,806,223
	₱635,777,647	₱1,214,469,681

Cash in banks generally earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates.

Interest income earned from bank deposits and time deposits aggregated to ₱8.57 million in 2014 and ₱6.27 million in 2013 (see Note 10).

6. Advances and Other Receivables

This account consists of:

	September 2014	December 2013
Advances to an affiliate (see Note 12)	₱113,784,393	₱113,784,393
Advances to contractors and suppliers	127,214,372	108,321,958
Advances to employees	79,080	200,000
Interest receivable	-	914,145
	₱241,077,845	₱223,220,496

Interest receivable in 2013 consisted of accrued interest income from time deposit.

Advances to suppliers include payments made to suppliers for goods or services to be received in the future. Advances to contractors pertain to down payments and advances paid by the company for the development of a project in Manila (see Note 8).

7. Input VAT

This consists of:

	September 2014	December 2013
Current	₱163,861,416	₱102,830,215
Non-current:		
Construction in progress (Note 8)	3,511,328	6,779,494
Others	101,481	143,481
	3,612,809	6,922,975
	₱167,474,225	₱109,753,190

8. Property and Equipment

The roll forward analysis of this account consists of:

2014				
	January 1	Additions	Disposals	Sept.30
Cost				
Land	₱ 600,800,000	₱-	₱-	₱600,800,000
Furnitures and fixtures	14,866	83,272	-	98,138
Computer software and hardware	185,643	378,477	-	564,120
Office equipment	36,464	-	-	36,464
Transportation equipment	1,625,893	-	-	1,625,893
	602,662,866	461,749	-	603,124,615
Accumulated depreciation				

Furnitures and fixtures	1,987	8,270	-	10,257
Computer software and hardware	29,394	96,921	-	126,315
Office equipment	3,637	5,470	-	9,107
Transportation Equipment	-	233,884	-	233,884
Total	35,018	344,545	-	379,563
Net book value	602,627,848	117,204	-	602,745,052
Construction in progress	239,268,202	514,600,329	-	753,868,531
Total	P 841,896,050	P514,717,533	P-	P1,356,613,583

2013

	January 1	Additions	Disposals	December 31
Cost				
Land	P 600,800,000	P-	P-	P600,800,000
Furnitures and fixtures	-	14,866	-	14,866
Computer software and hardware	-	185,643	-	185,643
Office equipment	-	36,464	-	36,464
Transportation equipment	-	1,625,893	-	1,625,893
	600,800,000	1,862,866	-	602,662,866
Accumulated depreciation				
Furnitures and fixtures	-	1,987	-	1,987
Computer software and hardware	-	29,394	-	29,394
Office equipment	-	3,637	-	3,637
Total	-	35,018	-	35,018
Net book value	600,800,000	1,827,848	-	602,627,848
Construction in progress	9,876,786	229,391,416	-	239,268,202
Total	P 610,676,786	P231,219,264	P-	P841,896,050

Construction in progress pertains mainly to a development project in Manila (see Notes 6 and 9).

In 2012, land with an appraised value of P600,800,000 was received as consideration for the subscription of MJCI to the Company's common shares in accordance with the memorandum of agreement dated July 24, 2008 (see Note 15).

9. **Accounts Payable and Other Current Liabilities**

This account consists of:

	September 2014	December 2013
Accrued expenses	P-	P61,825,353
Retention payable	32,772,392	12,660,676
Accounts payable	71,170,587	6,922,602
Withholding taxes payable	1,936,336	850,918
Advances from an affiliate (Note 12)	945,171	945,171
Accrued employee benefit	2,538,572	43,983
Other liabilities	72,775	84,053
	P109,435,833	P83,332,756

Accounts payable are noninterest-bearing and are normally settled within 30 days. As of September 30, 2014, accounts payable of the Company mainly pertains to unclaimed checks by contractors and suppliers, for the construction cost incurred for the development of a project in Sta. Cruz, Manila.

Retention payable represents the portion of construction billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until defects have been corrected.

10. Interest Income

Interest income related to:

	Sept. 2014	Sept. 2013
Cash and cash equivalents (Note 5)	P8,569,448	P6,267,828
	<u>P8,569,448</u>	<u>P6,267,828</u>

11. Income Taxes

a. The provision for (benefit from) for income tax consists of the following:

	Sept. 2014	Sept. 2013
Current:		
Final MCIT	P1,713,890	P1,253,519
	-	-
	<u>1,713,890</u>	<u>1,253,519</u>
Deferred	-	-
	<u>P1,713,890</u>	<u>P1,253,519</u>

b. There were no deferred tax liabilities as of September 30, 2014 and 2013.

c. No deferred tax assets were recognized on the following carryforward benefits of unused NOLCO and excess MCIT as of September 30, 2014 and December 31, 2013 and 2012, as management believes that the Company may not have sufficient taxable income against which the excess MCIT and unused NOLCO may be applied:

	2013	2012
NOLCO	P81,905,184	P43,776,277
Excess of MCIT over RCIT	52,853	75,893

As of December 31, 2013, the details of NOLCO and excess of MCIT over RCIT are as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2011	2014	P1,989,528	P43,353
2012	2015	39,774,256	3,500
2013	2016	40,141,400	6,000
		<u>P81,905,184</u>	<u>P52,853</u>

d. As of September 30, 2014, the company incurred a net loss of P 14,299,193, after final taxes and there is no MCIT.

12. Related Party Transactions

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

In the normal course of business, the Company has transactions and account balances with related parties as follows:

Entity	Relationship	Nature	Amount	2014		2013		Terms	Condition
				Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Amount		
Sierra Prime Properties Corporation	Affiliate	Cash advance ^(a)		₱5,000,000	₱5,000,000	₱5,000,000		Interest bearing	unsecured, unguaranteed
		Transfer of assets and liabilities (see Note 15)		108,214,153	108,214,153	108,214,153		Non-Interest bearing	unsecured, unguaranteed
		Interest on Cash advances ^(a)		475,000	475,000	475,000		Non-Interest bearing	unsecured, unguaranteed
		Other Advances		95,240	95,240	95,240		Non-Interest bearing	unsecured, unguaranteed
Manila Jockey Club, Inc. (MJC)	Stockholder	Cash advances (see Note 9)		(945,171)	945,171	(945,171)		Non-Interest bearing, due a demandable	unsecured, unguaranteed
		Subscription of additional common shares (see Note 13)			600,800,000			Non-Interest bearing	unsecured, unguaranteed
		Subscription Receivable (see Note 13)		42,808,835	42,808,835	42,808,835		Non-Interest bearing	unsecured, unguaranteed
		Letters of Credit (LC)	53,552,626					On demand, non-interest	unsecured, no impairment
MJC Forex Corporation (MFC)	Affiliate	Dollar Purchases	9,498,045		23,996,707			On demand, non-interest bearing	unsecured, no impairment

- a. In 2011, the Company extended an interest-bearing advances amounting to ₱5,000,000 to SPPC for a period of one year with interest rate of 6% per annum. Interest income recognized in 2013, 2012 and 2011 amounted to ₱300,000, ₱175,000 and ₱25,000 respectively. Noninterest-bearing receivable from SPPC and interest receivable amounting to ₱108,214,153 and ₱175,000, respectively, pertains to the transfer of a group of assets and liabilities as part of the MOA signed July 24, 2008 in 2012 (see Note 15).

Key Management Personnel

The Corporation has no standard arrangement with regard to the remuneration of its existing directors. As of September 30, 2014 and the same period in 2013, the BOD received director's fees aggregating to ₱707,000 and ₱746,000 respectively. Beginning in 2013, administrative and finance functions as well as the operations of the Company are handled by its own staff.

13. Equity

The Company was listed with the PSE in November 11, 1955. As of September 30, 2014, the Company has an aggregate of 2,500,614,159 outstanding shares of stock and has a total of 448 stockholders of record.

Capital Stock

The capital stock as of September 30, 2014 and December 31, 2013 consist of:

	2014		2013	
	Number of shares	Amount	Number of shares	Amount
Common shares - ₱1 par value				
Authorized - 5,000,000,000 shares in 2014 and 2013				
Issued and outstanding (held by 448 equity holder)	2,309,601,064	₱2,309,601,064	2,309,601,064	₱2,309,601,064
Subscribed	191,013,095	191,013,095	191,013,095	191,013,095
Subscriptions receivable		(105,548,554)		(105,548,554)
		₱2,395,065,605		₱2,395,065,605

Pursuant to a Memorandum of Agreement (MOA) dated July 24, 2008 by and between MJCI and the Company, MJCI subscribed to 107,360,137 common shares at the subscription price of ₱1 per share. As of 2013, MJCI has paid ₱64,551,302 of the subscription price with the balance of ₱42,808,835 is payable upon call of the Board of Directors of the Company.

Pursuant further to the July 24, 2008 MOA, the Company issued 600.8 Million share from its authorized capital stock in favor of MJCI in exchange of the latter's real estate property situated in Sta. Cruz, manila consisting of 7,510 square meters. The Bureau of Internal Revenue under its Certification dated October 29, 2012 authorized the property for share exchange.

On January 17, 2013, a group of strategic investors subscribed to 450,000,000 shares at a subscription price of ₱1.00 per share to be taken from the unsubscribed portion of the authorized capital stock. The subscription price of ₱450 Million was paid on said date. Additional subscription from non-related parties of 73,500,000 shares at a subscription price of ₱1.00 per share was also paid in full on January 17, 2013.

On July 24, 2013, some stockholders of the Company subscribed to 73,898,168 shares at a subscription price of ₱1.00. The subscription was made pursuant to the July 24, 2008 MOA. As of September 30, 2014, the subscribed balance of shares has related subscription receivables amounting to ₱55,239,719. In addition, the subscription for 24,182,704 shares at ₱1.00 per share from stockholders in 2010 has also a remaining subscription balance of ₱ 7,500,000.

On October 3, 2013, the group of strategic investor subscribed to additional 875 million shares at the subscription price of ₱1.00 per share. Additional subscription from non-related parties of 189,513,013 common shares at a subscription price of ₱1.00 per share was also made on same date. All the subscriptions on October 3, 2013 were paid in full on said date.

Increase in Authorized Capital Stock

In the annual stockholders' meeting of the Company held on June 27, 2008, the stockholders approved and ratified the increase of the authorized capital stock of the Company from

400.0 million shares to 1.5 billion shares with par value of ₱1 per share. The increase in the authorized capital stock was approved by the SEC on August 15, 2012.

Further, during the annual stockholders' meeting of the Company held on June 25, 2012, the stockholders approved and ratified the increase of the authorized capital stock of the Company from 1.5 billion shares to 5.0 billion shares with par value of ₱1 per share. The increase in the authorized capital stock was approved by the SEC on September 23, 2013.

In 2013, the documentary stamp tax on the issuance of capital stock amounting to ₱8,309,555 was charged against "Retained Earnings" in the statement of changes in equity.

14. Basic/Diluted Earnings (Losses) Per Share

	2014	2013
Net income (loss) for the year	(₱14,299,193)	(₱27,057,142)
Divided by weighted average number of outstanding common shares	2,411,904,741	1,436,101,146
Basic/diluted earnings (losses) per share	(₱0.006)	(₱0.019)

The Company has no potential dilutive common shares as of September 30, 2014, and September 30, 2013. Therefore, the basic and diluted earnings/ (losses) per share are the same as of those dates.

15. Property for Share Swap

On April 16, 2008, the BOD accepted the offer of MJCI for the Company to be the transferee of MJCI's non-core assets (real estate properties and gaming machinery and equipment) under a property for share exchange subject to certain conditions. On July 24, 2008, MJCI and the Company entered into a MOA providing the following:

- i. in order that MJCI shall have immediate control of the Company, MJCI shall subscribe to 107,360,137 shares of stock out of the unsubscribed portion of the Company's authorized capital stock;
- ii. MJCI shall transfer, convey and assign the Sta. Cruz Property and the gaming machinery and equipment in exchange for shares of stock of the Company, exchange ratio of which shall be one share of the Company for every ₱1 zonal value of the Sta. Cruz property.
- iii. The Company shall cause the payment of its existing liabilities in the amount of ₱14.2 million;
- iv. The Company shall cause the assignment of its marketable securities and receivables to the previous stockholders; and
- v. The Company shall spin off its 5-hectare property in Tanza, Cavite to a new corporation (NEWCO) to be organized by the Company and assign the shares of the capital stock of NEWCO to the previous stockholders of the Company.

On February 5, 2009, the MOA was amended to use the appraised value instead of zonal value of the Sta. Cruz Property as the exchange ratio for the property for share swap.

On January 23, 2009, and in accordance with the MOA, MJCI executed a subscription agreement to subscribe out of the unissued portion of the authorized capital stock of the Company at the subscription price of ₱1 per share for 107,360,137 shares, equivalent to 50.23% ownership in the Company, making MJCI the majority stockholder. As of September 30, 2014, MJCI has paid ₱64,551,302 representing 60.13% of the total subscription price. The remaining balance of ₱42,808,835 is payable upon the call of the BOD of the Company (see Note 13).

On December 6, 2010, the ARIES ASIA PROPERTY HOLDINGS, INC. (NEWCO) was incorporated as SIERA PRIME PROPERTIES CORP. (SPPC). On July 23, 2012, the Board approved the implementation of the transfer of the assets to SPPC.

On August 6, 2012, the Company transferred to SPPC the assets and liabilities enumerated below for a total consideration of ₱108,389,153, by virtue of the MOA dated July 24, 2008.

	Agreed Amounts
Assets	
Held for trading investments	₱63,640,124
Investment property	37,679,140
Receivables	25,266,055
Input VAT	58,675
	126,643,994
Liabilities	
Accounts payable	5,195,242
Due from related parties	13,059,599
	18,254,841
Total	₱108,389,153

On October 29, 2012, MJCI transferred 7,510 square meters of the Sta. Cruz property in exchange for 600.8 million common shares of the Company. The property transferred has a fair value of ₱600,800,000 or ₱80,000 per square meter. The transaction is considered as a tax-free exchange under BIR certification dated October 29, 2012 pursuant to Section 40 (c) (2) of the National Internal Revenue Code.

In accordance with the BIR certification, the property for share exchange is not subject to income tax, capital gains tax, expanded withholding tax and donor's tax. The transaction, however, is subject to value added tax (VAT) and documentary stamp tax. The input VAT related to the land acquired amounted to ₱72,096,000 is presented as part of "Input VAT" classified as current assets in the balance sheets while the documentary stamp tax amounting to ₱3,004,000 was charged against "Additional paid-in capital" and "Retained earnings" amounting to ₱2,528,624 and 475,376, respectively, in the statements of changes in equity.

16. Operating Segment Information

The Company has only one operating segment which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or

acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

Management monitors the operating results of its operating segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the financial statements.

The Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for September 30, 2014 and for the same period in 2013 are as follows:

	2014	2013
Segment revenue	P8,569,448	P6,267,828
Costs and expenses	21,154,751	32,071,451
Loss before income tax	(12,585,303)	(25,803,623)
Provision for income tax	1,713,890	1,253,519
Net loss	(P14,299,193)	(P27,057,142)

Segment Assets and Liabilities and Other Information

The segment assets, liabilities and capital expenditures for September 30, 2014 and December 31, 2013 are as follows:

	2014	2013
Assets	P2,402,037,390	P2,390,239,507
Liabilities	109,435,833	83,338,756
Capital	2,292,601,558	2,306,900,751
Interest income	8,569,448	10,917,012
Depreciation	344,545	35,018

17. Financial Instruments

The carrying values of cash and cash equivalents, receivables, accounts payable and other current liabilities and due to related parties approximates their fair values due to short-term nature of the transaction.

Fair Value Hierarchy

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets 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.

There were no financial instruments measured at fair value as of September 30, 2014, and December 31, 2013. There were no transfers between hierarchy in 2014 and 2013.

18. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and cash equivalents; receivables, accounts payable and other liabilities and due to related parties. The main purpose of these financial instruments is to finance the Company's operations. The main risks arising from the use of these

financial instruments include equity price risk, credit risk and liquidity risk. The Company's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

Credit risk arises because the counterparty may fail to discharge its contractual obligations. The Company transacts only with related parties and recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The Company's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There are no significant concentrations of credit risk in the Company.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

The table below shows the maximum exposure to credit risk of the Company as of September 30, 2014 and December 31, 2013 :

	2014	2013
Loans and receivables:		
Cash and cash equivalents*	P635,727,647	P1,214,419,681
Advances and other receivables	241,077,845	223,220,496
	P876,805,492	P1,437,640,177

*Excluding cash on hand amounting to P50,000 in 2014 and in 2013.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future. The credit quality of financial assets is managed by the Company using internal credit ratings. The tables below show the credit quality of financial assets based on the Company's credit rating system as of September 30, 2014:

	2014		Total
	Standard Grade	Past Due but not Impaired	
Loans and receivables:			
Cash and cash equivalents*	P635,727,647	P-	P635,727,647
Advances and other receivables	241,077,845	-	241,077,845
	P876,805,492	P-	P876,805,492

	2013		Total
	Standard Grade	Past Due but not Impaired	
Loans and receivables:			
Cash and cash equivalents*	P1,214,419,681	P-	P1,214,419,681

	2013		Total
	Standard Grade	Past Due but not Impaired	
Advances and other receivables	223,220,496	–	223,220,496
	₱1,437,640,177	₱–	₱1,437,640,177

*Excluding cash on hand amounting to ₱50,000 in 2014 and in 2013.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents

These are considered standard grade based on the nature of the counterparty (e.g., highly reputable banks, among others). Cash in banks are limited to highly reputable banks duly authorized by the BOD.

Advances and others receivables

Standard grade receivables pertain to receivables from related parties, officers and employees and other counterparties, that have no history of significant default or delinquency in collections.

Liquidity Risk

Liquidity risk is defined as the risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price. The Company's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and through the use of bank loans and extension of suppliers' credit terms. The Company maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Company's financial liabilities as of September 30, 2014, and December 31, 2013, based on contractual undiscounted payments (principal and interest).

	2014			Total
	Due and Demandable	> 1 month	> 3 months but < 1 year	
Accounts payable and other current liabilities*	₱945,171	₱106,554,326	₱–	107,499,497

	2013			Total
	Due and Demandable	> 1 month	> 3 months but < 1 year	
Accounts payable and other current liabilities*	₱945,171	₱81,536,667	₱–	₱82,481,838

*Amounts are exclusive of nonfinancial liabilities amounting to ₱1,936,336 and ₱850,918 as of September 30, 2014 and December 31, 2013, respectively.

The following tables show the profile of financial assets used by the Company to manage its liquidity risk:

	2014			Total
	Due and Demandable	> 1 month	> 3 months but < 1 year	
Loans and receivables:				
Cash and cash equivalents*	₱635,727,647	₱-	₱-	635,727,647
Advances and other receivables	241,077,845	-	-	241,077,845
Total	₱876,805,492	₱-	₱-	₱876,805,492

	2013			Total
	Due and Demandable	> 1 month	> 3 months but < 1 year	
Loans and receivables:				
Cash and cash equivalents*	₱1,214,419,681	₱-	₱-	₱1,214,419,681
Advances and other receivables	223,220,496	-	-	223,220,496
Total	₱1,437,640,177	₱-	₱-	₱1,437,640,177

*Excluding cash on hand amounting to ₱50,000 in 2014 and in 2013.

19. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize stockholders' value.

The Company considers its total equity amounting to ₱2,292,601,558 and ₱2,306,900,751 as its capital as of September 30, 2014 and December 31, 2013 respectively.

The Company maintains a capital base to cover risks inherent in the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

20. Other Matters

On March 18, 2010, the Philippine Gaming Corporation ("PAGCOR") granted the Company, a permit to establish, maintain and operate a casino at Manila where the Sta. Cruz Property is located. The permit shall be for a period of ten years, to commence on the date of actual operation of the casino.