

## COVER SHEET

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S.E.C. Registration Number

[illegible]

P.S.E. Control Number

[illegible]

(Company's Full Name)

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C E n t e r , C e b u B u S i n E s S P a r k ,

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

Joan A. Giduquio-Baron

## Contact Persons

## Person

(032) 232-0283, 234-2256 and 234-2285

Telephone Number of the Contact

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3	1
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Month Day  
Fiscal Year

SEC FORM 17-Q

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FORM TYPE

Month

Day

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Secondary license Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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: **175222**

3. BIR Tax Identification No.: 242-603-  
734-000

**VIVANT CORPORATION**

4. Exact name of issuer as specified in its charter

**Mandaluyong City**

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

**Suites 907-908 Ayala Life-FGU Center, Mindanao Ave. corner Biliran Road,  
Cebu Business Park, Cebu City**

7. Address of issuer's principal office

**6000**  
Postal Code

**(032) 234-2256; (032) 234-2285**

8. Issuer's telephone number, including area code

**There has been no change in name, address and fiscal year since last report.**

9. Former name, former address and former fiscal year, if changed since last report

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

Title of each Class

Number of shares of common  
stock outstanding and amount  
of debt outstanding

**Common Shares at P1.00 per share**  
**Amount of debt outstanding**

**1,023,456,698**  
**₱4,656,207,584**

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

Yes [x] No [ ]

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

**Philippine Stock Exchange**

**Common Stock**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Company 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 financial statements for the nine (9) months ended September 30, 2014.

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

#### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following is a discussion and analysis of the Company's consolidated financial condition and results of operations for the interim period ended September 30, 2014 compared with the interim period ended September 30, 2013. This report should be read in conjunction with the consolidated financial statements and the notes thereto.*

#### **KEY PERFORMANCE INDICATORS**

Management uses the following key performance indicators to evaluate the performance of the Company and its investee companies:

1. **Equity in Net Earnings (or Loss) of Associates.** Equity in net earnings (or loss) of associates is the Company's share in the income or loss of associates or investee companies, accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.
2. **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).** EBITDA is calculated by taking operating income and adding back to it the interest, depreciation and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.
3. **Cash Flow Generated.** Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing and financing activities.



4. **Debt-to-Equity Ratio (DER).** DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.
5. **Current Ratio.** Current ratio is computed by dividing current assets by current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

**Year-to-Date (YTD) September 30, 2014 versus September June 30, 2013**

The table below shows the comparative figures of the key performance indicators for the period in review.

Key Performance Indicators <i>Amounts in Php '000, except for ratios</i>	YTD September 2014	YTD September 2013	YE 2013
Equity in Net Earnings of Associates	853,029	745,023	
EBITDA	1,971,409	1,198,856	
Cash Flow Generated	3,310,921	208,954	
Net cash flows from operating activities	630,514	192,374	
Net cash flows from investing activities	172,271	693,310	
Net cash flows from (used in) financing activities	2,508,136	(676,730)	
Debt-to-Equity Ratio (x)	0.57	0.16	0.25
Current Ratio (x)	4.77	3.69	2.51

The Company's share in the net earnings of associates for the period ended-September 2014 grew by 14% year-on-year (YoY) to Php 853.0 million (mn), from Php 745.0 mn. The growth was due to the earnings buildup of a number of the Company's power generation associates. The mandated compliance with the International Accounting Standards (IAS) 28<sup>1</sup> required the non-booking of the Company's share in the net loss of one of its associates and in the net earnings of another, resulting in the non-recognition of P28.1 mn in net earnings during the period in review.

The expansion in the topline performance of the Company's subsidiary, coupled with the increase in recorded share in equity earnings from its associates and joint ventures, resulted to a 64% YoY increase in EBITDA during the period in review, from Php 1.2 billion (bn) to approximately Php 2.0 bn.

The Company's noteworthy performance resulted in a net cash generation of Php 3.3 bn during the period in review. This cash expansion resulted from the combined effects of improvements in cash flows from operations and financing activities. During the first quarter of 2014, the Company issued Fixed Rate Corporate Notes (FRCN) with a total principal amount of Php 3 bn.

Debt-to-Equity ratio rose to 0.57x as of end-September 2014 from 0.25x as of year-end 2013. This was mainly a result of the FRCN issue in the first quarter of 2014.

<sup>1</sup> IAS 28 *Losses in Excess of Investments*. If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognising its share of further losses. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.



The buildup in cash and cash equivalents during the period in review accounts for the improvement in the Company's current ratio to 4.77x as of end-September 2014 vis-a-vis 2.51x as of end-2013.

#### Results of Operations

The Company's consolidated net income for the nine-month period ending September 2014 amounted to Php1.2 bn recording a 31% YoY upswing.

The Company's power generation business comprises the bulk of earnings contributions from business segments at Php 995.8 mn, which is 101% higher than previous year. The Company's attributable net generation grew by 18% YoY, mainly on account of increased volume sales by the hydro and oil-fired generation assets. Bilateral contracts, which accounted for 74% of energy sold during the period in review, recorded a 29% YoY expansion. Weighted average selling prices recorded increases, which were a result of hikes in both bilateral and spot market prices.

The Company's electricity distribution business shored in an earnings contribution of Php 452 mn, which is 13% lower YoY. The decline in the bottom line performance was mainly due to the lower margin resulting from the higher cost of purchased power during the period in review.

#### Material Changes in Line Items of Registrant's Income Statement (YTD September 2013 vs. YTD September 2014)

As of end-September 2014, Vivant's total revenues amounted to about Php 4.0 bn, recording an 80% YoY climb from Php 2.2 bn. The surge is attributed to the following:

1. Energy fees earned by its subsidiary mainly account for the bulk at 75% of total, or approximately Php 3.0 bn. Higher energy sales through bilateral contracts and the improvement in its weighted average selling price for its net generation accounted for the subsidiary's enhanced revenue performance.
2. The Company's equity share in net earnings of its associates contributed 21% of the revenues (or Php 853.0 mn), registering an increase of 14% YoY. The rise was mainly due to the improved earnings of the power generation group. Albeit, the application of the IAS 28 resulted to the non-recognition of Php 28.1 mn net earnings share from two associates. Adjusting for this, the Company's equity share in net earnings during the period in review would have amounted to Php 881.1 mn, which is 18% higher than previous year's. For the same period last year, the recognized share in losses from results of operations of its joint venture amounted to Php 84.1 mn.
3. Interest income, rose by 28% YoY from Php 24.8 mn to Php 31.7 mn, resulting from the increase in money market placements. A significant buildup in cash levels took place during the period in review, which was a result of the FRCN issue by Parent.
4. The 93% YoY decline in Other Income to Php 6.6 mn is on account of the non-recurrence of a onetime gain from the redemption of shares of an associate in 2013.

As of end-September 2014, total operating expenses grew by 98% YoY, from Php 1.0 bn to Php 2.0 bn. The said movement is attributed to the following:

1. Generation cost during the period went up by 120% YoY to Php 1.8 bn, which was driven by the increase in power generation and by higher cost of fuel incurred by the Company's subsidiary.
2. The 36% YoY escalation of management fees to Php 77.5 mn from Php 57.2 mn was due to the implementation of the agreed rate increases this year.
3. Salaries and employee benefits expanded by 84% YoY to Php 59.5 mn from Php 32.3 mn mainly on account of additional manpower headcount and an upward adjustment in salaries and benefits. In addition, accruals on bonuses and retirement benefits were made during the period in review while there was none for the same period last year. If accruals were made in 2013, the increase in salaries and employee benefits would be lower at 76% YoY.
4. Taxes and licenses rose by 24% YoY to Php 34.0 mn from Php 27.5 mn, in view of the payment of documentary stamp taxes on the FRCN and the subscription of shares in an associate.
5. Professional fees soared by 63% YoY to Php 28.0 mn from Php 17.2 mn. The increase comprises fees paid to legal, financial and other advisory services rendered to the Company (in relation to the FRCN issue) and its subsidiaries (for business and project development among others).
6. The 27% YoY increase in depreciation and amortization expense that brought the account to Php 10.9 mn for the period in review was an outcome of the acquisition of additional depreciable assets relating to the purchase of power plant equipment by a subsidiary, the expansion of the Company's office space, and the acquisition of vehicles.
7. Travel expenses grew by 72% YoY to Php 9.2 mn from Php 5.4 mn. There was an increase in the frequency of trips related to business development, plant inspections, technical trainings, and meetings with partners and government agencies.
8. Rent and association dues declined by 21% YoY to Php 3.1 mn from Php 3.9 mn. In 2013, the Company had to extend the lease for an office space due to construction delays on the improvements of its replacement unit.
9. Communication and utilities increased by 41% YoY to Php 3.2 mn from Php 2.2 mn due to the recorded increases in personnel and office space as well as the installation of additional Videocon facilities to facilitate communication between offices.
10. There was a 38% YoY upswing in representation expenses to Php 1.6 mn from Php 1.2 mn. The rise resulted from more frequent meetings with business partners and consultants.



11. Security and janitorial expenses shot up by 238% YoY to Php 1.6 mn from Php 0.5 mn given rate adjustments made to comply with the mandated minimum wage and the hiring of additional personnel.
12. Other general and administrative expenses dropped by 49% YoY to Php 32.2 mn from Php 63.6 mn during the same period last year. The prior year costs incurred were related to the Company's compliance to the Minimum Public Offering, developmental fees related to various project studies, and a non-recurring expense of a subsidiary.

For the period in review, Vivant incurred finance cost of Php 93.4 mn, which is 709% higher versus last year's Php 11.5 mn. This significant increase was due to the interest expense paid and accrued for the FRCN issue.

On the other hand, an unrealized foreign exchange gain of Php 2.3 mn was taken up during the period in review, which pertains to the restatement of the US dollar and Euro cash balances of Vivant and a subsidiary.

As a result of all the above movements, Vivant recorded a total net income for the period ending September 30, 2014 of Php 1.6 bn, recording a 44% YoY growth. Net income attributable to parent amounted to Php 1.2 bn, up by 31% YoY.

*Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity*  
(Year-end 2013 vs. End-September 2014)

The Company's total assets expanded by 46% from end-2013's level of Php 8.7 bn to Php 12.8 bn.

1. Cash and cash equivalents climbed sharply by 108% to Php 6.4 bn as of end-September 2014. The increase was mainly due to the proceeds from the FRCN issue and the dividends received by Parent during the period in review.
2. Trade and other current receivables registered a 32% decline to Php 505.5 mn as of end-September 2014, largely due to the collection of trade accounts by a subsidiary.
3. Advances to associates and stockholders rose by 37% to Php 157.9 mn from Php 115.5 mn as of end-2013. The increase was mainly due to outlays made to associates for capital calls.
4. Inventories increased by 114% as of end-September 2014 to Php 212.2 mn from Php 99.2 mn as of end-2013 on account of higher fuel prices and the purchases of spares and supplies by the Company's subsidiary.
5. Prepayments and other current assets as of end-September 2014 rose by 54% to Php 452.7 mn. This resulted from the accumulation of creditable withholding taxes and a subsidiary's advances to suppliers for plant parts and supplies.
6. Available-for-sale investments recorded an 8% YoY increase to Php 4.1 mn due to the investment in a club share needed for business representation.



7. There was a 16% (or Php 640.6 mn) increase in Investments in subsidiaries and associates, which was substantially due to an investment made by a subsidiary in a power generation company that is involved in the construction of a coal-fired power generation facility in Mindanao.
8. Property and equipment expanded by 21% to Php 75.7 mn as a result of the acquisition of a power plant equipment by a subsidiary and the expansion of the Company's office space and its acquisition of vehicles.

Total liabilities posted a significant increase of 164% to Php 4.7 bn as of end-September 2014. During the period in review, Vivant issued 7-year fixed rate notes with a total principal amount of Php 3 bn. The issue was fully subscribed by a consortium of local banks composed of Metropolitan Bank and Trust Company, China Banking Corporation, Development Bank of the Philippines, Philippine Savings Bank, Rizal Commercial Banking Corporation and Robinsons Savings Bank.

The FRCN issue was done in two tranches. The first tranche of notes worth Php 1 bn were issued on February 3, 2014 at an interest rate of 5.7271% p.a. Meanwhile, the second tranche of notes worth Php 2 bn were issued on March 31, 2014 at an interest rate of 5.4450% p.a.

Partly mitigating the effect of the FRCN issue on the Company's liability accounts is the 25% reduction in income tax payables as of September 30, 2014. Payments made during the period in review brought down the account to Php 121.0 mn from Php 162.1 mn as of end-2013. Trade and other payables also were reduced by 4% (or Php 62.2 mn) from the settlement of year-end payable accruals.

As a result of net income generated during the period in review, total stockholders' equity increased by 17%, from Php 7.0 bn as of year-end 2013 to Php 8.1 bn as of end-September 2014. Meanwhile, equity attributable to parent ended higher by 15% at Php 7.4 bn as of the end of September 2014.

*Material Changes in the Consolidated Liquidity and Cash Reserves of Registrant  
(End-September 2013 vs. End-September 2014)*

For the period ending September 30, 2014, the net cash provided by the Company's operations recorded a 228% YoY expansion, from Php 192.4 mn to Php 630.5 mn. The improved operating performance of the Company's subsidiary mainly accounted for the movement.

Net cash provided by investing activities for the nine (9) months ended September 30, 2014 amounted to Php 172.3 mn, a decline from last year's inflow of Php 693.3 mn. The drop was mainly due to the infusions made to a subsidiary relating to an investment in a coal-fired power generation project in Mindanao.

As of end-September 2014, the Company raised cash of Php 2.5 bn from financing activities, which is a reversal from last year's comparable period where cash used for financing activities amounted to Php 676.7 mn. The proceeds from the FRCN issue comprise the cash inflow for the period in review, which was offset by dividends paid and the partial settlement of advances from associates. Conversely, the usage in 2013 included cash

dividend payments and the partial settlement of short term loans, net of advances from associates.

As of September 30, 2014, net cash inflows surpassed cash outflows resulting in a 108% expansion in cash and cash equivalents, from Php 3.1 bn as of year-end 2013 to Php 6.4 bn.

#### Financial Ratios

Current ratio increased from 2.51x as of year-end 2013 to 4.77x as of end September 2014. The improved ratio is mainly driven by the increase in cash due to the FRCN proceeds and dividends received during the period.

Debt-to-equity ratio increased from year-end 2013 level of 0.25x to 0.57x as of September 30, 2014 given higher liabilities resulting from the Php 3 bn FRCN issue, which was partly tempered by the increase in equity as a result of higher retained earnings arising from the favorable operating results during the period.

#### Material Events and Uncertainties

- Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Company does not expect any liquidity problems and is not in default of any financial obligations.

- Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None.

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

None.

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

The Company has projects in the pipeline, at varying degrees of development. These projects are being undertaken through wholly owned subsidiary, Vivant Energy Corporation.

- Calamian Islands Power Corporation (CIPC) is the project proponent for a new 8 MW bunker- and 750 kW diesel-fired power generation plants in the municipalities of



Coron and Busuanga, respectively. CIPC broke ground in April 2013 and commenced commercial operations of these facilities in August 2014. This project was partly funded through a Php 430 mn project financing facility via a 10-year Term Loan Agreement with the Metropolitan Bank and Trust Company. Said loan facility covered roughly 70% of the total project funding requirements, where the balance was covered by equity infusions by CIPC's shareholders. VEC has a 50% equity stake in CIPC.

- Vivant Malogo Hydropower Inc. (VMHI) is a joint venture that will serve as the project proponent for the development and implementation of a greenfield power plant. The project will involve the construction and operation of a series of run-of-river hydropower facilities that will be located in Barangay Kapitan Ramon in Silay City, Negros Occidental. The project will be designed to feed off the Malogo River and will consist of three (3) phases. The first phase of the project will have a total capacity of 6 MW. VMHI is currently in the process of obtaining the necessary permits and contract approvals. Once done, construction will commence and is estimated to be completed after 24 months. The project will be funded via a combination of debt (70%) and equity (30%). In July 2014, VEC's stake was reduced from 75% to 63%, which was in accordance with the mutual agreement of the shareholders.
- Minergy Coal Corporation (MCC) is the project proponent for a new 3x55 MW coal-fired power generation plant in Balingasag, Misamis Oriental. The plant is expected to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns by 2017. This project will be funded via a combination of debt (70%) and equity (30%). Through wholly-owned Vivant Integrated Generation Corporation (VIGC), the Company has an equity ownership of 40% in MCC.
- Therma Visayas, Inc. (TVI) is the project proponent for the construction and operation of a 300-MW (net) coal-fired power generation facility on a site in Toledo City, Cebu. This project will be funded via a combination of debt (75%) and equity (25%). An agreement between VIGC and Therma Power, Inc. was signed in August 2014, which will involve the investment by VIGC in TVI for a 20% equity stake.
- The Company, through its Business Development Group, continuously looks for opportunities in the power generation business, whether it be via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers. The Company intends to bankroll these projects via a combination of equity (30%) and debt (70%), where debt will be booked at the project company.
- Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.



The overall economic performance of the Philippines is a key factor in the sale of electricity. Thus, the performance of the Company, including its subsidiaries and associates, is affected by the economic state of the country.

Given the uncontracted portion of the Company's attributable generation capacity, any movement in the spot market price of electricity could have a significant impact on the Company's overall financial performance. Spot price of electricity is mostly determined by the supply and demand situation prevailing in the market.

- Any significant elements of income or loss that did not arise from the registrant's continuing operations

None.

- Any material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None.

- Any seasonal aspects that had a material effect on the financial condition or results of operations

The Company currently has two run-of-river hydropower plant facilities in its power generation portfolio. In the absence of any storage capability, the plants' operations are dependent on water availability in the form of river water flow. These plants are at minimal operating levels during the dry months, or the first half, of the year. These are reversed in the second semester, or at the onset of the rainy season, which result to high generation capability given the increased river water flow.

- Any material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period

None.

## **PART II--OTHER INFORMATION**

Other than what has been reported, no event has since occurred.

## 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.

### VIVANT COMPANY

By:



**MINUEL CARMELA N. FRANCO**  
VP - Finance



**MARIA VICTORIA E. SEMBRANO**  
AVP - Finance

*November 12, 2014*

# **VIVANT CORPORATION AND SUBSIDIARIES**

Unaudited Consolidated Financial Statements

As of September 30, 2014 (with Comparative Audited Consolidated Figures as of  
December 31, 2013) and for the Nine Months Ended September 30, 2013



**VIVANT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2014**

**(With Comparative Figures as of December 31, 2013)**

**(Amounts in Philippine Pesos)**

	Notes	September 30, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	1	<b>₱6,370,877,860</b>	₱3,057,406,413
Trade and other receivables – net	2	<b>505,475,997</b>	746,093,162
Advances to associates and stockholders	2	<b>157,870,792</b>	115,486,983
Inventories		<b>212,236,697</b>	99,160,004
Prepayments and other current assets	3	<b>452,667,176</b>	294,771,279
<b>Total Current Assets</b>		<b>7,699,128,522</b>	4,312,917,841
<b>Noncurrent Assets</b>			
Available-for-sale (AFS) investments	4	<b>4,146,131</b>	3,846,131
Investments in subsidiaries and associates	7	<b>4,627,388,705</b>	3,986,834,990
Property, plant and equipment - net	5	<b>75,703,729</b>	62,647,848
Investment property	6	<b>274,071,000</b>	274,071,000
Deferred tax assets		<b>21,399,283</b>	21,399,283
Goodwill		<b>42,559,451</b>	42,559,451
Other non-current assets – net	8	<b>30,583,404</b>	29,396,656
<b>Total Noncurrent Assets</b>		<b>5,075,851,703</b>	4,420,755,359
<b>TOTAL ASSETS</b>		<b>₱12,774,980,225</b>	₱8,733,673,200
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other current payables		<b>₱1,353,588,635</b>	₱1,415,791,742
Advances from related parties		<b>140,960,620</b>	142,744,333
Income tax payable		<b>120,996,132</b>	162,125,636
<b>Total Current Liabilities</b>		<b>1,615,545,387</b>	1,720,661,711
<b>Noncurrent Liabilities</b>			
Notes payable - net of current portion		<b>3,000,000,000</b>	—
Pension liability		<b>13,134,833</b>	18,724,619
Deferred tax liabilities		<b>27,527,364</b>	27,527,364
<b>Total Noncurrent Liabilities</b>		<b>3,040,662,197</b>	46,251,983
<b>Total Liabilities</b>		<b>4,656,207,584</b>	1,766,913,694

	Notes	September 30, 2014	December 31, 2013
<b>Equity Attributable to Shareholders of the Parent</b>			
Capital stock	9	1,023,456,698	1,023,456,698
Additional paid-in capital		8,339,452	8,339,452
Other components of equity:			
Revaluation reserve		1,292,314,175	1,292,314,176
Remeasurement loss on employee benefits		(67,944,717)	(67,944,717)
Unrealized valuation gain on AFS		191,083	191,083
Retained earnings:			
Appropriated for business expansion		1,856,476,291	1,856,476,291
Unappropriated		3,335,415,842	2,357,237,719
Equity Attributable to Shareholders of the Parent		7,448,248,824	6,470,070,702
<b>Non-controlling Interest</b>		<b>670,523,817</b>	<b>496,688,804</b>
<b>Total Equity</b>		<b>8,118,772,641</b>	<b>6,966,759,506</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱12,774,980,225</b>	<b>₱8,733,673,200</b>

*See accompanying Notes to Consolidated Financial Statements.*

**VIVANT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30, 2014**  
**(With Comparative Figures for the same period in 2013)**  
**(Amounts in Philippine Pesos)**

	Notes	2014	2013
<b>REVENUE</b>			
Energy fees		₱2,990,691,090	₱1,249,103,000
Equity in net earnings of associates		853,028,671	745,022,923
Management fees		96,590,015	98,324,060
Interest income		31,725,741	24,794,712
Other income		6,589,602	93,271,646
		<b>3,978,625,119</b>	<b>2,210,516,341</b>
<b>GENERATION COSTS</b>			
		<b>1,762,587,631</b>	<b>800,681,000</b>
<b>OPERATING EXPENSES</b>			
Management fees		77,527,313	57,213,174
Salaries and employees' benefits		59,499,973	32,320,761
Taxes and licenses		33,992,782	27,484,975
Professional fees		28,033,491	17,228,064
Depreciation and amortization		10,910,593	8,606,105
Travel		9,179,703	5,350,031
Rent and association dues		3,059,660	3,870,025
Communication and utilities		3,170,027	2,244,782
Representation		1,584,631	1,151,720
Security and janitorial		1,633,382	483,000
Other general and administrative expenses		32,227,242	63,633,031
		<b>260,818,797</b>	<b>219,585,668</b>
<b>INCOME FROM OPERATIONS</b>			
		<b>1,955,218,691</b>	<b>1,190,249,673</b>
<b>OTHER INCOME (CHARGES)</b>			
Finance costs		(93,447,678)	(11,549,065)
Foreign exchange gains (losses)		2,294,656	(7,921,000)
Others – net		–	–
		<b>(91,153,022)</b>	<b>(19,470,065)</b>
<b>INCOME BEFORE INCOME TAX</b>			
		<b>1,864,065,669</b>	<b>1,170,779,608</b>
<b>TAX EXPENSE</b>			
		<b>221,971,988</b>	<b>32,288,634</b>
<b>NET INCOME</b>			
		<b>1,642,093,681</b>	<b>1,138,490,974</b>



	Notes	2014	2013
<b>OTHER COMPREHENSIVE INCOME</b>		—	—
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱1,642,093,681</b>	<b>₱1,138,490,974</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		<b>₱1,203,645,634</b>	₱919,588,400
Non-controlling interests		<b>438,448,047</b>	218,902,574
		<b>₱1,642,093,681</b>	<b>₱1,138,490,974</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		<b>₱1.176</b>	<b>₱0.899</b>

*See accompanying Notes to Consolidated Financial Statements.*

**VIVANT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2014**  
**(With Comparative Figures for the same period in 2013)**  
**(Amounts in Philippine Pesos)**

	Notes	2014	2013
<b>REVENUE</b>			
Energy fees		<b>₱1,038,891,380</b>	₱206,148,000
Equity in net earnings of associates		<b>300,531,006</b>	296,560,167
Management fees		<b>36,343,273</b>	34,767,860
Interest income		<b>13,257,398</b>	9,048,342
Other income		<b>2,300,026</b>	90,830,643
		<b>1,391,323,083</b>	637,355,012
<b>GENERATION COSTS</b>			
		<b>690,759,175</b>	171,722,000
<b>OPERATING EXPENSES</b>			
Management fees		<b>13,500,157</b>	7,385,424
Salaries and employees' benefits		<b>22,453,529</b>	12,553,929
Professional fees		<b>5,148,674</b>	9,143,421
Travel		<b>4,904,965</b>	(765,409)
Depreciation and amortization		<b>3,925,953</b>	3,132,137
Taxes and licenses		<b>3,437,081</b>	1,782,208
Communication and utilities		<b>1,327,811</b>	876,581
Representation		<b>1,094,915</b>	375,000
Rent and association dues		<b>1,042,713</b>	1,998,151
Security and janitorial		<b>653,450</b>	218,205
Other general and administrative expenses		<b>6,162,823</b>	49,054,526
		<b>63,652,071</b>	85,754,173
<b>INCOME FROM OPERATIONS</b>			
		<b>636,911,837</b>	379,878,839
<b>OTHER INCOME (CHARGES)</b>			
Finance costs		<b>(40,342,457)</b>	(4,956,010)
Foreign exchange gains (losses)		<b>575,359</b>	(7,921,000)
Others – net		<b>–</b>	–
		<b>(39,767,098)</b>	(12,877,010)
<b>INCOME BEFORE INCOME TAX</b>			
		<b>597,144,739</b>	367,001,829
<b>TAX EXPENSE (BENEFIT)</b>			
		<b>196,956,573</b>	31,831,884
<b>NET INCOME</b>			
		<b>400,188,166</b>	335,169,945

	Notes	2014	2013
<b>OTHER COMPREHENSIVE INCOME</b>		—	—
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱400,188,166</b>	<b>₱335,169,945</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Shareholders of the parent company		<b>₱342,670,220</b>	₱314,925,204
Non-controlling interests		<b>57,517,946</b>	20,244,742
		<b>₱400,188,166</b>	<b>₱335,169,946</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		<b>₱0.335</b>	<b>₱0.308</b>

*See accompanying Notes to Consolidated Financial Statements.*

**VIVANT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2014**  
**(With Comparative Figures for the same period in 2013)**  
**(Amounts in Philippine Pesos)**

	Notes	2014	3Q 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Income before income tax</i>		<i>₱1,864,065,669</i>	<i>₱1,138,490,974</i>
Adjustments for:			
Equity in net earnings of associates		<b>(853,028,671)</b>	(745,022,923)
Finance costs		<b>93,447,678</b>	11,549,065
Interest income		<b>(31,725,741)</b>	(24,794,712)
Depreciation and amortization		<b>16,190,112</b>	8,606,105
Unrealized foreign exchange gains		<b>(2,550,306)</b>	7,961,717
Realized forex gains		<b>—</b>	—
Operating income before working capital changes		<b>1,086,398,741</b>	396,790,226
Decrease (increase) in:			
Trade and other current receivables		<b>240,617,165</b>	241,854,645
Inventories		<b>(113,076,693)</b>	(683,231)
Prepayments and other current assets		<b>(157,895,897)</b>	(55,525,106)
Other non-current assets		<b>(1,186,748)</b>	22,779,075
Increase (decrease) in:			
Trade and other current payables		<b>(88,779,278)</b>	(474,511,604)
Non-current liabilities		<b>—</b>	139,091,623
Cash generated from operations		<b>966,077,290</b>	269,795,630
Income tax paid		<b>(263,101,491)</b>	(65,872,007)
Interest paid		<b>(66,871,508)</b>	(11,549,065)
Contribution to the retirement fund		<b>(5,589,786)</b>	—
Net cash provided by (used in) operating activities		<b>630,514,505</b>	192,374,558



<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends from associates	924,563,612	694,596,735
Interest received	31,725,741	24,794,712
Additions to property, plant and equipment	(29,245,993)	(26,081,440)
Advances to affiliates	(42,383,809)	—
(Increase) decrease in investments in associates	(712,088,657)	—
(Increase) decrease in AFS investments	(300,000)	—
Net cash flows provided by (used in) investing activities	172,270,894	693,310,007
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from fixed rate corporate notes	3,000,000,000	—
Proceeds from loans	—	22,200,000
Payment of loans	—	(72,200,000)
Cash dividends paid	(490,080,545)	(747,205,186)
Advances from associates and stockholders	(1,783,713)	120,474,711
Net cash provided by (used in) financing activities	2,508,135,742	(676,730,475)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,310,921,141</b>	<b>208,954,090</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>2,550,306</b>	<b>—</b>
<b>CASH AND CASH EQUIVALENTS</b>		
AT BEGINNING OF THE PERIOD	3,057,406,413	1,800,270,312
<b>CASH AND CASH EQUIVALENTS</b>		
AT END OF THE PERIOD	<b>₱6,370,877,860</b>	<b>₱2,009,224,402</b>

*See accompanying Notes to Consolidated Financial Statements.*

**VIVANT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2014**  
**(With Comparative Figures for the same period in 2013)**  
**(Amounts in Philippine Pesos)**

	Notes	2014	2013
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>			
<b>CAPITAL STOCK - ₱1 par value</b>			
Authorized – 2,000,000,000 shares			
Issued and outstanding – 1,023,456,698 shares		<b>₱1,023,456,698</b>	₱1,023,456,698
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of period		<b>8,339,452</b>	8,339,452
Balance at end of interim period		<b>8,339,452</b>	8,339,452
<b>REVALUATION RESERVE</b>			
Balance at beginning of period		<b>1,292,314,175</b>	454,642,913
Depreciation on the revaluation increment of an associate		–	(32,352,930)
Balance at end of interim period		<b>1,292,314,175</b>	422,289,983
<b>FAIR VALUE RESERVE</b>			
Balance at beginning of period		<b>191,083</b>	191,083
Changes		–	(191,083)
Balance at end of interim period		<b>191,083</b>	–
<b>REMEASUREMENT LOSS ON EMPLOYEE BENEFITS</b>			
Balance at beginning of period		<b>(67,944,717)</b>	–
Balance at end of interim period		<b>(67,944,717)</b>	–
<b>RETAINED EARNINGS</b>			
Balance at beginning of period		<b>4,213,714,011</b>	3,352,794,527
Dividends declared		<b>(225,467,512)</b>	(214,504,902)
Depreciation on the revaluation increment of an associate		–	32,352,930
Net income		<b>1,203,645,634</b>	1,138,490,974
Balance at end of interim period		<b>5,191,892,133</b>	4,309,133,529
		<b>7,448,248,824</b>	5,763,219,662

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**NON-CONTROLLING INTEREST**

Balance at beginning of period	496,688,804	901,042,145
Property dividend	–	(427,612,175)
Cash dividends	(264,613,032)	(368,254,865)
Minority income for the period	438,448,045	218,902,575
Balance at end of interim period	670,523,817	324,077,680

<b>TOTAL EQUITY</b>	<b>₱8,118,772,641</b>	<b>₱6,087,297,342</b>
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*See accompanying Notes to Consolidated Financial Statements.*



**VIVANT CORPORATION AND SUBSIDIARIES**  
Notes to Consolidated Financial Statements  
September 30, 2014

**1. Cash and Cash Equivalents**

This account consists of:

	September 30, 2014	December 31, 2013
Cash on Hand and in Banks	P328,197,397	P1,711,048,047
Short Term Placements	6,042,680,463	1,346,358,366
	<b>P6,370,877,860</b>	<b>P3,057,406,413</b>

**2. Trade receivables, advances and other current receivables**

This account consists of:

	September 30, 2014	December 31, 2013
Trade Receivables	P491,362,403	P741,768,887
Advances to Officers and Employees	8,872,814	2,236,002
Accrued Interest Income and Other Receivables	5,573,812	2,421,305
	P505,809,029	P746,426,194
Less:		
Allowance for impairment loss	333,032	333,032
	<b>P505,475,997</b>	<b>P746,093,162</b>
 <b>Advances to associate and Stockholders</b>	 <b>P157,870,792</b>	 <b>P115,486,983</b>

2.1 Aging of Trade receivables, advances and other current receivables

	September 30, 2014				December 31, 2013			
	0-30 DAYS	31-60 DAYS	OVER 60 DAYS	TOTAL	0-30 DAYS	31-60 DAYS	OVER 60 DAYS	TOTAL
Trade receivables, advances and other current receivables	₱95,582,261	₱27,293,733	₱382,933,035	₱505,809,029	₱619,464,974	₱27,756,231	₱99,204,989	₱746,426,194
Less: Allowance for impairment loss	-	-	333,032	333,032	-	-	333,032	333,032
	₱95,582,261	₱27,293,733	₱382,600,003	₱505,475,997	₱619,464,974	₱27,756,231	₱98,871,957	₱746,093,162

### 3. Prepayments and other current assets

The composition of this account is shown below:

	September 30, 2014	December 31, 2013
Advances to suppliers	P283,164,345	P199,904,425
Prepaid expenses	40,938,289	42,146,936
Input tax	95,235,160	51,154,197
Creditable withholding tax	31,961,075	-
Others	1,368,307	1,565,721
	<b>P452,667,176</b>	<b>P294,771,279</b>

### 4. Available-for-sale investments

This account is composed of investments in shares of stock of the following entities:

	September 30, 2014	December 31, 2013
At Fair Value:		
Aboitiz Equity Ventures	P395,500	P395,500
PLDT	600	600
Paper Industries of the Phils.	31	31
San Miguel Corp	-	-
	396,131	396,131
Add (Less) Fair Value Adjustment	-	-
	396,131	396,131
At Cost:		
VC Exchange Inc.	8,345,118	8,345,118
Cebu Country Club, Inc.	3,400,000	3,400,000
Tower Club, Inc.	300,000	-
INCA Plastic Phils., Inc.	50,000	50,000
	12,095,118	11,795,118
Less:		
Impairment loss on AFS	8,345,118	8,345,118
	3,750,000	3,450,000
<b>Total Available for Sale Investments</b>	<b>P4,146,131</b>	<b>P3,846,131</b>



5. Property and Equipment

Property and equipment consists of the following major classifications:

	Condominium Unit, Building and Improvement	Plant Machineries and Equipment	Leasehold and Improvement	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Tools and Other Assets	Total
<b>Cost</b>								
Beg. Balance, Dec. 31, 2013	₱25,149,566	₱714,286	₱21,107,717	₱19,657,549	₱28,615,583	₱1,658,836	₱505,670	₱97,409,207
Additions	12,857	17,292,661	1,034,247	6,157,108	2,504,613	2,244,507	-	29,245,993
Retirement	-	-	-	-	-	-	-	-
Total	25,162,423	18,006,947	22,141,964	25,814,657	31,120,196	3,903,343	505,670	126,655,200
<b>Less: Accumulated Depreciation</b>								
Beg. Balance, Dec. 31, 2013	8,344,696	83,333	5,443,252	10,630,359	10,056,234	-	203,485	34,761,359
Depreciation & Amortization	675,775	4,866,109	2,260,674	4,291,109	4,002,434	-	94,011	16,190,112
<b>Carrying value, September 30, 2014</b>	<b>₱16,141,952</b>	<b>₱13,057,505</b>	<b>₱14,438,038</b>	<b>₱10,893,189</b>	<b>₱17,061,528</b>	<b>₱3,903,343</b>	<b>₱208,174</b>	<b>₱75,703,729</b>

6. Investment Properties

Investment properties consist of parcels of land, building and improvements held by Hijos De F. Escano, Inc. for capital appreciation, rather than for administrative purposes or sale in the ordinary course of business.

Investment properties are valued at fair value based on the valuation carried out by independent appraisers as at February 2012.

Details of investment properties as at September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014	December 31, 2013
<b>Land</b>		
Cost	₱3,473,986	₱3,473,986
Fair Value Adjustment	266,629,014	266,629,014
	270,103,000	270,103,000
<b>Building</b>		
Cost	₱	₱
Fair Value Adjustment	3,968,000	3,968,000
	3,968,000	3,968,000
<b>Total Investment Properties</b>	<b>₱274,071,000</b>	<b>₱274,071,000</b>

## 7. Investment in subsidiaries and associates:

The components of the carrying values of investment in an associate are as follows:

	September 30, 2014	December 31, 2013
<b>Investment in VECO:</b>		
Acquisition Cost	P840,333,112	P840,333,112
Accumulated Equity		
Earnings	726,975,750	883,153,380
Revaluation Surplus	525,045,410	525,045,410
Carrying Value	2,092,354,272	2,248,531,902
<b>Investment in Delta P:</b>		
Acquisition Cost	102,117,231	102,117,231
Accumulated Equity		
Earnings	23,018,456	2,399,863
Revaluation Surplus	-	-
Carrying Value	125,135,687	104,517,094
<b>Investment in CPPC:</b>		
Acquisition Cost	305,119,049	305,119,049
Accumulated Equity		
Earnings	(171,384,010)	(221,630,844)
Revaluation Surplus	-	-
Carrying Value	133,735,039	83,488,205
<b>Investment in ABOVANT:</b>		
Acquisition Cost	1,127,984,699	1,127,984,699
Accumulated Equity		
Earnings	394,699,569	417,906,527
Revaluation Surplus	-	-
Carrying Value	1,522,684,268	1,545,891,226
<b>Investment in VSNRGC:</b>		
Acquisition Cost	46,000,000	46,000,000
Accumulated Equity		
Earnings	(46,000,000)	(46,000,000)
Revaluation Surplus	-	-
Carrying Value	-	-
<b>Investment in AHPC:</b>		
Acquisition Cost	11,500,000	11,500,000
Accumulated Equity		
Earnings	(7,774,270)	(7,597,146)
Revaluation Surplus	-	-
Carrying Value	3,725,730	3,902,854
<b>Investment in PEI:</b>		
Acquisition Cost	500,000	500,000
Accumulated Equity		
Earnings	3,709	3,709
Revaluation Surplus	-	-
Carrying Value	503,709	503,709



<b>Investment in CIPC:</b>		
Acquisition Cost	3,125,000	3,125,000
Accumulated Equity		
Earnings	(3,125,000)	(3,125,000)
Revaluation Surplus	-	-
Carrying Value	-	-
<b>Investment in Minergy:</b>		
Acquisition Cost	749,250,000	-
Accumulated Equity		
Earnings	-	-
Revaluation Surplus	-	-
	749,250,000	-
<b>Total Carrying Value of Investments</b>	<b>P4,627,388,705</b>	<b>P3,986,834,990</b>

In accordance with the mandated compliance of IAS 28, the Company did not recognize its share in earnings and losses from the results of operations of two of its joint ventures. The unrecognized share in net earnings as of September 30, 2014 was Php 28.1 mn, while unrecognized share in losses as of December 31, 2013 amounted to P212.8 million.

#### 8. Other Non-Current Assets

The details of this account are shown below:

	September 30, 2014	December 31, 2013
Advances to suppliers	P23,031,967	P26,311,872
Pension Asset	1,525,382	1,525,382
Software Cost	2,273,003	343,872
Others	3,753,052	1,215,530
	<b>P30,583,404</b>	<b>P29,396,656</b>

#### 9. Capital Stock

The details of the capital stock account are as follows:

	September 30, 2014	December 31, 2013
Authorized Capital Stock –		
P1.00 par value	P2,000,000,000	P2,000,000,000
Issued – 1,023,456,698 shares	1,023,456,698	1,023,456,698

#### 10. Earnings Per Share

The financial information pertinent to the derivation of earnings per share follows:

	September 30, 2014	September 30, 2013
<b>Basic Earnings Per Share</b>		
Net income (loss) attributable to		
Parent shareholders	1,203, 645,634	919,588,400
Less: Preferred shares	-	-
Net income (loss) identified with		
Common stock	1,203,645,634	919,588,400
Actual number of shares Outstanding	1,023,456,698	1,023,456,698
	<b>1.176</b>	<b>0.899</b>

## 11. OTHER DISCLOSURES

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

The principal accounting policies and methods of computation used in the annual financial statements were also followed in the preparation of the interim financial statements.

There are no significant changes in estimates in amounts reported in prior financial years that have a material effect in the current interim period.

There are no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period.

There are no material contingencies, events or transactions that are material to an understanding of the current interim period.

Vivant Corporation issued 7-year fixed rate notes with a total principal amount of Php 3 bn. The issue was fully subscribed by a consortium of local banks composed of Metropolitan Bank and Trust Company, China Banking Corporation, Development Bank of the Philippines, Philippine Savings Bank, Rizal Commercial Banking Corporation and Robinsons Savings Bank.

The FRCN issue was done in two tranches. The first tranche of notes worth Php 1 bn were issued on February 3, 2014 at an interest rate of 5.7271% p.a. Meanwhile, the second tranche of notes worth Php 2 bn were issued on March 31, 2014 at an interest rate of 5.4450% p.a.

Vivant Corporation declared on June 25, 2014 combined cash dividends per share of P0.2203 (regular cash dividend of P0.1714 and special cash dividend of P0.0489) for stockholders of record as of July 9, 2014. The said cash dividends were paid on July 30, 2014.

The Company is not required to disclose segment information in its annual financial statements.

There have been no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

There are no contingent liabilities or contingent assets since the last annual balance sheet date.

### **Financial Instruments and Financial Risk Management**

The Company and its subsidiaries (the "Group") are exposed to a variety of financial risks which resulted from its operating and investing activities. The Group focuses on actively securing its short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

#### **Credit Risk**

Credit Risk represents the risk of loss the Group would incur if counterparties fail to perform their contractual obligations. The Group's credit risk arises principally from its receivables.

Generally, the maximum credit risk exposure of financial assets is their carrying amount as shown in the balance sheets. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's receivables are actively monitored to avoid significant concentrations of credit risk. Please refer to Note 2 of the Notes to the interim Financial Statements as of September 30, 2014 for the aging analysis of the Group's receivables.

#### **Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors and maintains a level of cash deemed adequate by management to finance its operations and mitigate the effects of fluctuations in cash flows. Additional short-term funding is obtained from related party advances and short-term loans when necessary.



**Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the Philippine Peso (PHP), which are United States Dollar (USD) and European Euro (€).

The Group’s exposure to foreign currency risk based on amounts is as follows:

	September 30, 2014
Loan Receivables	USD -
Trade Receivables	USD -
Cash	USD 1,592,725
	Euro 622
Gross Exposure	USD 1,592,725
	Euro 622

The average exchange rate for the quarter ended September 30, 2014 are as follows:

US Dollar-Philippine Peso	US\$1 = Php44.97
Euro-Philippine Peso	Eu€1 = Php57.06

The exchange rate applicable as of September 30, 2014 are the following:

US Dollar-Philippine Peso	US\$1 = Php44.30
Euro-Philippine Peso	Eu€1 = Php59.84

**Sensitivity Analysis**

A 10% strengthening of the Philippine Peso against US Dollar and European Euro as of September 30, 2014 would have increased equity and profit by Php7.1 million. A 10% weakening of the Philippine Peso against the US Dollar and European Euro as of September 30, 2014 would have an equal but opposite effect, on the basis that all other variables remain constant.

The Group absorbs the risk and favorable and unfavorable exchange rate movement as they arise.

The Company neither issues nor invests in complex securities, particularly on derivatives.

The Company does not have investments in foreign securities.

The carrying values of cash and cash equivalents, receivables, trade, and other payables approximate their fair values due to short-term maturity of these instruments.



The Company has minimal financial instruments in the form of available for sale shares of stock which are traded in the market. These financial instruments are however not traded actively