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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. AS95008557
Company Name MINERALES INDUSTRIAS CORPORATION
Industry Classification Metallic Core Mining
Company Type Stock Corporation

Document Information

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SEC Registration
Number

M I N E R A L E S I N D U S T R I A S C O R P O R A T I O N

(Company's Full Name)

R o o m 3 2 2 3 r d F l o o r L R I D e s i g n ,

P l a z a 2 1 0 N i c a n o r G a r c i a S t . ,

M a k a t i C i t y

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

Atty. Ana Maria A. Katigbak

Contact Person

817-6791/897-5257

Company Telephone Number

1 2

Month
Fiscal Year
Meeting

3 1

Day

SEC FORM 17-Q

September 30, 2012

FORM TYPE

Month
Annual

Day

N.A.

Secondary License Type, If Applicable

S E C

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 ID

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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, 2012

2. Commission identification number AS095-008557

3. BIR Tax Identification No : 049-004-636-077

4. MINERALES INDUSTRIAS CORPORATION

Exact name of issuer as specified in its charter

5. Makati City, Philippines

Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia St., Makati City

Address of issuer's principal office

1200
Postal Code

8. (632) 817-6791 & 897-5257

Issuer'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 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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<u>Common</u>	<u>190,000,000 shares</u>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

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

Philippine Stock Exchange Common

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 Section 11 of the 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; Plan of Operations

Plan of Operations

Management remains optimistic that the Company will be able to make significant strides in its search for strategic partners or investors this year. As in the past, priority will be given to investors who can provide the requisite financial resources and business base on which to anchor the Company's growth.

Meanwhile, the Company will continue its minimal operations, to be funded from existing cash reserves.

Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

Income

No significant income was recognized for the first nine months of 2012 and 2011.

Operating Expenses

Operating expenses for the first nine months of 2012 amounted to Php1.25 million, higher than the Php1.05 million recorded for the same period of 2011. This is basically due to the expenses incurred in connection with the holding of the Annual Stockholders' Meeting in May, 2012.

Net Income

The first nine months of 2012 and 2011 resulted into a net loss of Php1.19 million and Php1.04 million, respectively.

Liquidity and Capital Resources

For the nine-month period ending September 30, 2012, net cash used in operations totaled Php1.43 million, including a net loss before tax of Php1.17 million. Prepaid and other current assets increased by Php0.13 million due to increases in input tax and the monthly set-up of the annual listing fee. Accrued expenses and other payables went down by Php0.11 million due to the settlement of outstanding liabilities.

For the same period in 2011, net cash used in operations totaled Php1.27 million, including a net loss before tax of Php1.04 million. Prepaid and other current assets went up by Php0.12 million due to increases in input tax and the monthly set-up of the annual listing fee. Accrued expenses and other payables declined by Php0.11 million due to the settlement of outstanding liabilities.

Third Quarter Ended September 30, 2012 Compared to Third Quarter Ended September 30, 2011

Income

No significant income was recognized for the third quarter of 2012 and 2011.

Operating Expenses

Operating expenses for the third quarter ended September 30, 2012 amounted to Php0.32 million. This is 25.3% lower than the Php0.42 million incurred for the same period last year.

Net Income

Net loss for the third quarter of 2012 and 2011 amounted to Php0.30 million and Php0.42 million respectively.

Liquidity and Capital Resources

For the third quarter ended September 30, 2012, net cash used in operations amounted to Php0.24 million, including net loss of Php0.30 million. Prepaid and other current assets decreased by Php0.06 million.

For the same quarter in 2011, net cash used in operations amounted to Php0.37 million, including net loss of Php0.42 million. Prepaid and other current assets went down by Php0.05 million.

Financial Position as of September 30, 2012 Compared to Financial Position as of December 31, 2011

Statements of financial position data	September 30, 2012	December 31, 2011	% Inc/ (Dec)
Total Current Assets	2,262,698	3,565,263	(37%)
Total Assets	2,262,698	3,565,263	(37%)
Total Current Liabilities	4,818	119,411	(96%)
Total Stockholders' Equity	2,257,880	3,445,852	(34%)

The material changes in the statements of financial position are as follows:

- Total assets declined by 37% from Php3.57 million as of December 31, 2011 to Php2.26 million as of September 30, 2012.
- Cash and cash equivalents declined by 40% from Php3.55 million as of December 31, 2011 to Php2.11 million as of September 30, 2012; total liabilities went down by 96% from Php0.119 million to Php0.005 million due to the settlement of outstanding payables.
- Current ratio increased from 29.86x in December 2011 to 469.63x in September 2012; Net working capital totaled Php2.26 million in September 2012 as compared to Php3.45 million in December 2011.
- Total stockholders' equity went down by 34% from Php3.45 million in December 2011 to Php2.26 million in September 2012.

Key Performance Indicators

Since the company is not in commercial operations, its key performance indicators are as follows:

KPI	Calculation	September 30, 2012	December 31, 2011
Current Ratio (1)	Current Assets/Current Liabilities	469.63x	29.86x
Quick Ratio (2)	Cash /Current Liabilities	438.41x	29.69x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	.002x	.035x
Book Value per share (4)	Total Assets-Total Liabilities/ Number of Shares Outstanding	.0119	.018
Loss per Share (5)	Net Loss/Weighted Average Number of Shares Outstanding	(.0063)	(.018)

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
(1) Current Ratio	2,262,698/4,818	3,565,263/119,411
(2) Quick Ratio	2,112,257/4,818	3,545,263/119,411
(3) Debt to Equity	4,818/2,257,880	119,411/3,445,852
(4) Book Value/Share	2,257,880/190,000,000	3,445,852/190,000,000
(5) Loss per Share	1,187,972/190,000,000	3,424,062/190,000,000

The Current Ratio is a general and quick measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is also known as the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company.

Book Value per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities then divide that total by the number of common shares outstanding.

Loss per Share is computed by dividing the net loss by the weighted average number of common shares outstanding.

Other Matters

No disclosures nor discussions were made for the following since these did not affect the past and present operations or the foreseeable future operations of the Company:

- (a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2- Management's Discussion and Plan of Operations;
- (b) Any material commitments for capital expenditures, the general purpose of the commitments and the expected sources of funds for the expenditures;
- (c) Any known trends, events, or uncertainties that have had or that reasonably expected to have a material favorable or unfavorable impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;
- (d) Any significant elements of income or loss that did not arise from the Company's continuing operations;
- (e) Any seasonal aspects that have material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

PART II – OTHER INFORMATION

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

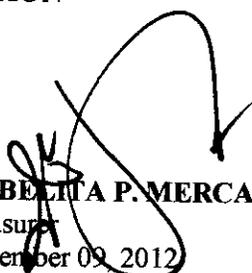
NOT APPLICABLE

SIGNATURES

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

Issuer : **MINERALES INDUSTRIAS CORPORATION**


GENER T. MENDOZA
President
November 09, 2012


ISABELLA P. MERCADO
Treasurer
November 09, 2012

MINERALES INDUSTRIAS CORPORATION

STATEMENTS OF FINANCIAL POSITION

(Unaudited)

	30-Sep-12	31-Dec-11
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents	P 2,112,257	P 3,545,263
Other current assets - net (Note 5)	150,440	20,000
Total Current Assets	2,262,698	3,565,263
TOTAL ASSETS	P 2,262,698	P 3,565,263

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accrued expenses and other payables	P 4,818	P 119,411
Total Current Liabilities	4,818	119,411
Stockholders' Equity		
Capital stock - P1 par value		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	190,000,000	190,000,000
Deficit	(187,742,120)	(186,554,148)
Total Stockholders' Equity	2,257,880	3,445,852
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	P 2,262,698	P 3,565,263

MINERALES INDUSTRIAS CORPORATION**INTERIM STATEMENTS OF INCOME****(Unaudited)**

	Quarter Ended September 30	
	2012	2011
INCOME		
Interest	20,102	2,473
Gain on sale of marketable securities		
	P 20,102	P 2,473
EXPENSES		
Salaries and other employees benefits	107,000	91,829
Listing Maintenance Fee	62,500	62,500
Professional fees	58,907	142,294
Utilities	45,000	45,000
Representation	21,292	35,424
Transportation	9,084	9,170
Office supplies and printing costs	8,206	20,187
Miscellaneous	4,820	17,713
	316,809	424,118
INCOME (LOSS) BEFORE INCOME TAX	(296,707)	(421,645)
Provision for income tax	4,020	495
NET INCOME (LOSS) AFTER INCOME TAX	P (300,728)	P (422,139)
INCOME (LOSS) PER SHARE (Note 7)		
	(0.0016)	(0.0022)

MINERALES INDUSTRIAS CORPORATION**INTERIM STATEMENTS OF INCOME****(Unaudited)**

	Nine Months Ended September 30	
	2012	2011
INCOME		
Interest	72,685	10,874
Gain on sale of marketable securities	-	-
	P 72,685	P 10,874
EXPENSES		
Professional fees	336,019	261,855
Salaries and other employees benefits	301,000	263,488
Listing maintenance fee	192,550	192,550
Utilities	135,000	135,000
Representation	92,239	68,381
Directors' per diem	80,000	-
Office supplies and printing costs	47,073	51,799
Transportation	26,189	25,834
Taxes and licenses	8,219	9,541
Telephone & Postage	8,949	9,556
Seminar Fee	-	14,393
Miscellaneous	18,881	14,117
	1,246,119	1,046,515
INCOME (LOSS) BEFORE INCOME TAX	P (1,173,435)	P (1,035,641)
Provision for income tax	14,537	2,175
NET INCOME (LOSS) AFTER INCOME TAX	P (1,187,972)	P (1,037,816)
NET INCOME (LOSS) PER SHARE (Note 7)		
	P (0.0063)	P (0.0055)

MINERALES INDUSTRIAS CORPORATION
INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Quarter Ended September 30	
	2012	2011
NET INCOME/ (LOSS)	(300,728)	(422,139)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Net unrealized gain (loss) on available-for sale financial assets	-	(21,044)
TOTAL COMPREHENSIVE INCOME / (LOSS)	P (300,728) P	(443,183)

MINERALES INDUSTRIAS CORPORATION
INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Nine Months Ended September 30	
	2012	2011
NET INCOME /(LOSS)	(1,187,972)	(1,037,816)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Net unrealized gain (loss) on available-for sale financial assets	-	21,044
TOTAL COMPREHENSIVE INCOME/ (LOSS)	P (1,187,972) P	(1,016,772)

MINERALES INDUSTRIAS CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Quarter Ended September 30	
	2012	2011
CAPITAL STOCK - P 1 par value		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	P 190,000,000	P 190,000,000
DEFICIT:		
Balance at beginning of period	(187,441,392)	(183,745,764)
Net loss for the quarter	(300,728)	(422,139)
Balance at end of period	(187,742,120)	(184,167,903)
Reserve for fluctuation in value of available-for-sale equity securities	-	87,685
TOTAL STOCKHOLDERS' EQUITY	P 2,257,880	P 5,919,782

MINERALES INDUSTRIAS CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Nine Months Ended September 30	
	2012	2011
CAPITAL STOCK - P 1 par value		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	P 190,000,000	P 190,000,000
DEFICIT:		
Balance at beginning of period	(186,554,148)	(183,130,087)
Net loss for the 9 months period	(1,187,972)	(1,037,816)
Balance at end of period	(187,742,120)	(184,167,903)
Reserve for fluctuation in value of available-for-sale equity securities	-	87,685
TOTAL STOCKHOLDERS' EQUITY	P 2,257,880	P 5,919,782

MINERALES INDUSTRIAS CORPORATION**STATEMENTS OF CASH FLOWS****(Unaudited)**

	Quarter Ended September 30	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	P (296,707)	P (421,645)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income	(20,102)	(2,473)
Operating income (loss) before working capital changes	(316,809)	(424,118)
Decrease (Increase) in prepaid and other current assets	63,117	49,200
Increase (Decrease) in accrued and other payables	(1,000)	
Cash generated from (used in) operations	(254,692)	(374,918)
Interest received	20,102	2,473
Income taxes paid	(4,020)	(495)
Net cash provided by (used in) operating activities	(238,611)	(372,940)
CASH FLOW FROM FINANCING ACTIVITY		
Increase in advances from shareholders	-	-
NET INCREASE (DECREASE) IN CASH	(238,611)	(372,940)
CASH AT BEGINNING OF PERIOD	2,350,868	4,069,861
CASH AND EQUIVALENTS AT END OF PERIOD	P 2,112,257	P 3,696,921

MINERALES INDUSTRIAS CORPORATION**STATEMENTS OF CASH FLOWS****(Unaudited)**

	Nine Months Ended September 30	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	P (1,173,435)	P (1,035,641)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income	72,685	10,874
Operating income (loss) before working capital changes	(1,100,750)	(1,024,768)
Decrease (Increase) in prepaid and other current assets	(130,440)	(120,810)
Increase (Decrease) in accrued and other payables	(114,594)	(114,213)
Cash generated from (used in) operations	(1,345,784)	(1,259,791)
Interest received	(72,685)	(10,874)
Income taxes paid	(14,537)	(2,175)
Net cash provided by (used in) operating activities	(1,433,006)	(1,272,839)
CASH FLOW FROM FINANCING ACTIVITY		
Increase (Decrease) in advances from shareholders	-	-
Net cash provided by (used in) financial activities	-	-
NET INCREASE (DECREASE) IN CASH	(1,433,006)	(1,272,839)
CASH AT BEGINNING OF PERIOD	3,545,263	4,969,760
CASH AND EQUIVALENTS AT END OF PERIOD	P 2,112,257	P 3,696,921

MINERALES INDUSTRIAS CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Minerales Industrias Corporation (the Company) was incorporated and organized in the Republic of the Philippines on August 31, 1995. Its present primary purpose is to engage in the business of exploration, exploitation and development of the country's various mineral resources. The registered office address of the Company is Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City.

On July 26, 2007 and August 31, 2007, the Board of Directors (BOD) and stockholders of the Company, respectively, approved the following amendments to the Company's Articles of Incorporation:

- a) Change in company name from Multitech Investments Corp. to Minerales Industrias Corporation;
- b) Change in primary purpose from holding to mining; and
- c) Change in registered address from 22nd Floor, Unit E-2005 A East, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City to Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City.

The Securities and Exchange Commission (SEC) approved the change in company name and primary purpose on September 24, 2007 and the change in registered address on January 14, 2008.

The Company's management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying interim financial statements have been prepared on a historical basis, except for available-for-sale (AFS) financial assets that have been measured at fair value. These financial statements are presented in Philippine Peso (₱), the Company's functional currency. All amounts are rounded to the nearest peso unit unless otherwise indicated.

Statement of Compliance

The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Company has followed the same accounting policies and methods of computation used in the preparation of the most recent annual financial statements. No new accounting policy has been adopted for this interim report.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS, Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to existing standards which became effective on January 1, 2011. The adoption of these new and amended Standards and Philippine Interpretations did not have any significant impact on the Company's financial statements.

- Amendment to PAS 24, *Related Party Disclosures*
- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*
- Amendment to Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement*
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Improvements to PFRSs

The omnibus amendments to PFRSs issued in May 2010 were issued primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard which became effective on January 1, 2011. The adoption of these new standards did not have a significant impact on the Company's financial statements.

- PFRS 3 (Revised), *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Reporting*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

Future Changes in Accounting Policies

The Company adopted the following new and amended standards and interpretations when these became effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine interpretations to have significant impact on its financial statements.

Effective 2012

- PAS 12, *Income Taxes - Recovery of Underlying Assets*
The amendment becomes effective for annual periods beginning on or after January 1, 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The amendment became effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

Effective 2013

- Amendments to PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income*

The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments to PAS 1 change the grouping of items presented in other comprehensive

income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance.

- **Amendment to PAS 19, *Employee Benefits***
This amendment is effective for annual periods beginning on or after January 1, 2013. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording.
- **PAS 27 (Revised), *Separate Financial Statements***
This amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence 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 the accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.
- **PAS 28 (Revised), *Investments in Associates and Joint Ventures***
This amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS, 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- **Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities***
The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. 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 offset 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 offset 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 amendment affects disclosures only and has no impact on the Company's financial position or performance.

- **PFRS 10, *Consolidated Financial Statements***
 This standard becomes effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27.
- **PFRS 11, *Joint Arrangements***
 This standard becomes effective for annual periods beginning on or after January 1, 2013. It replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. It also removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- **PFRS 12, *Disclosure of Involvement with Other Entities***
 This standard becomes effective for annual periods beginning on or after January 1, 2013. It includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- **PFRS 13, *Fair Value Measurement***
 This standard becomes effective for annual periods beginning on or after January 1, 2013. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance.

Effective in 2014

- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities***
 The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to offset" 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 Company is currently assessing impact of the amendments to PAS 32.

Effective in 2015

- **PFRS 9, *Financial Instruments: Classification and Measurement***
 The standard is effective for annual periods beginning on or after January 1, 2015. PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

After consideration of the result of its impact evaluation, the Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. It shall conduct in early 2012 another impact evaluation using the outstanding balances of the financial statements as of December 31, 2011. The Company will disclose in the March 31, 2012 interim financial statements whether to adopt the PFRS 9 (2009) or PFRS 9 (2010) on its 2012 financial reporting. If the decision of the Company is to adopt PFRS 9 on its 2012 financial reporting, the interim report by June 30, 2012 will reflect the application of the requirements under the said standard and will contain a qualitative and quantitative discussion of the result of the Company's impact evaluation.

- *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 which should be applied retroactively and prospectively. 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.

Cash on hand and in bank

Cash includes cash on hand and deposits held on demand with banks.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability on the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of September 30, 2012 and December 31, 2011, the Company has no financial assets and liabilities at FVPL and HTM investments. In 2011, the Company disposed all of its AFS financial assets.

Determination of fair value

The fair values for financial instruments traded in active markets at the financial reporting date are based on their quoted market prices 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 ask 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, option pricing models, and other relevant valuation models.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value ('Day 1' profit) in profit or loss unless it qualifies for recognition as some type of asset or liability. In cases where use is made of data which 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' profit amount.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS or financial assets designated at FVPL. This accounting policy relates to the statement of financial position caption "Cash on hand and in bank".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of income. The losses arising from impairment of such loans and receivables are recognized in provision for impairment losses in the statement of income.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM investments or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity securities.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as “Reserve for fluctuation on available-for-sale financial assets” in the statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the statement of income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the statement of income.

Other financial liabilities

Other financial liabilities pertain to issued financial instruments that are not classified or designated as at FVPL and contains contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Company’s accrued expenses and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, 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 repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged against the statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the current operations. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with the changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other

factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimate and actual loss experience.

AFS financial assets

In case of equity securities classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity securities are not reversed through the statement of financial performance. Increases in fair value after impairment are recognized in other comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Equity

Capital stock

Capital stock is measured at par value for all shares issued.

Deficit

Deficit represents the cumulative amount of net losses of the Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income

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

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized in profit or loss in the period these are incurred.

Income tax

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 have been enacted or substantially enacted as of the reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences

and net operating loss carry over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that is applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting period.

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

Value-added tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

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

Basic/Diluted Earnings Per Share

Basic/diluted earnings per share (EPS) is computed based on the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared and stock rights exercised during the year.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

Contingencies

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

Events After the Reporting Date

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

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgments and estimates 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.

Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed as follows.

Estimating allowance for impairment losses on receivables

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

As of September 30, 2012, receivables amounting to ₱1,066,172 have been fully provided with allowance for impairment losses.

Impairment of AFS financial assets

The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more or 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities.

Recognition of deferred tax assets

Deferred tax assets have not been recognized in respect of NOLCO and allowance for impairment losses that are available for offset against future taxable income or tax payable, which shall be available for the three succeeding years, because management believes that it is more likely than not that the tax benefits of these will not be realized in the future.

4. Cash on hand and in bank

This account consists of:

	September 30, 2012	December 31, 2011
Cash on hand	P5,000	P4,959
Cash in bank	2,107,257	3,540,304
	P2,112,257	P3,545,263

Cash in bank earns interest at the prevailing bank deposit rates. Interest earned on cash in bank amounted to P72,685 and P13,030 in September 30, 2012 and December 31, 2011, respectively.

5. Other Current Assets - net

This account consists of:

	September 30, 2012	December 31, 2011
Prepaid taxes	P1,976,300	P1,976,300
Creditable withholding tax	1,137,430	1,137,430
Input VAT	935,917	852,977
Prepaid expenses	5,000	20,000
Maintenance Fee	62,500	-
	4,117,147	3,986,707
Less allowance for impairment losses	3,966,707	3,966,707
	P150,440	P20,000

6. Accrued Expenses and Other Payables

This account consists of:

	September 30, 2012	December 31, 2011
Accrued expenses	-	P110,000
Taxes payable	4,818	9,412
	P4,818	P119,412

Accrued expenses and other payables are non-interest-bearing and are generally within 30- to 60-day terms.

7. Equity**Capital Stock**

On December 29, 2009, the BOD approved a resolution authorizing the Company to issue a total of 10,000,000 common shares out of the existing authorized capital stock at a subscription price of P1 per share, or a total price value of P10,000,000. Out of the P10,000,000 capital stock subscribed, an amount equal to P5,045,000 was paid by the stockholders on the same date.

On January 29, 2010 and February 1, 2010, the Company's stockholders paid for the outstanding subscriptions receivable amounting to P3,655,000 and P1,300,000, respectively.

8. Related Party Transaction

The Company entered into an agreement with GNCA Holdings, Inc. (GNCA), an affiliate, for the sharing of common costs incurred on the leased office space. The agreement provides that the Company shall pay fixed monthly utility charges of ₱15,000 in lieu of its proportionate share in monthly rentals on the leased premises.

9. Basic/Diluted Loss per Share

Basic/diluted loss per share was computed as follows:

	Nine Months Ended September 30,	
	2012	2011
Net loss (a)	₱1,187,972	₱1,037,816
Weighted average number of outstanding common shares (b)	190,000,000	190,000,000
Basic/diluted loss per share (a/b)	₱0.0063	₱0.0055

	Quarter Ended September 30,	
	2012	2011
Net loss (a)	₱300,728	₱422
Weighted average number of outstanding common shares (b)	190,000,000	190,000,000
Basic/diluted loss per share (a/b)	₱0.0016	₱0.0022

10. Financial Instruments**Fair value information**

Due to the short term nature of the Company's financial instruments, their fair values approximate their carrying amounts as of September 30, 2012 and December 31, 2011.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash on hand and in bank, AFS financial assets and accrued expenses and other payables. The main purpose of the Company's financial instruments is to fund its operational and capital expenditures.

Exposure to credit, liquidity and market price risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash in bank with fixed interest rates.

Credit risk

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash exposes the Company to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing.

The maximum exposure to credit risk of the statements of financial position pertains only to cash on hand and in bank amounting to ₱2,112,257 and ₱3,545,263 as of September 30, 2012 and December 31, 2011, respectively (see Note 4).

The Company's cash on hand and in bank has high grade credit quality.

The credit quality of the financial assets was determined based on the nature of the counterparty and the Company's historical experience with them.

Liquidity risk

Liquidity or funding risk is the risk associated with the difficulty of selling financial assets in a timely manner at their values to meet obligations.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and working capital requirements.

The Company's accrued expenses and other payables are all due within one year.

Price risk

The Company's price risk exposure relates to its AFS financial assets where values will fluctuate as a result of changes in market prices.

Such investment securities are subject to price risk due to changes in market values arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

Price risk is the risk that future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi).

The sensitivity of net asset value is the effect of the assumed changes in the market index on AFS financial assets for the effects of the assumed changes in market index.

In 2011, the Company sold its entire AFS financial assets, thus, no impact assessment on net asset value as at December 31, 2011 was made to determine price risk exposure.

The impact on net asset value is arrived at using the reasonably possible change of PSEi and the specific adjusted beta of each stock the Company holds. The possible change of PSEi was determined based on daily movement of PSE index for the past 3 years. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

As of September 30, 2012 and December 31, 2011, the Company has a deficit of ₱187,742,120 and ₱186,554,148, respectively. The Company's policy to address the current deficit is to borrow capital from its shareholders in the form of advances. Also, in 2010, in order to strengthen capital position and address the deficit incurred due to non-operation, the Company has issued additional shares amounting to ₱10 million.

The Company is not subject to any externally imposed capital requirement.

11. **Operating Segments**

As of September 30, 2012 and December 31, 2011, the Company has no operating segment since it is not engaged in any investing and operating activity. The Management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

The Company has no revenue outside the Philippines and no revenue from a single customer, hence, the Company did not present geographical information required by PFRS 8.