



111142019001570



SECURITIES AND EXCHANGE COMMISSION

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

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : November 14, 2019 02:25:13 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000011163
Company Name PHILCOMSAT HOLDINGS CORP.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 111142019001570
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered September 30, 2019
No. of Days Late 0
Department CFD
Remarks

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
FOR THE QUARTERS ENDED OF JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

	pages
SEC FORM 17Q	
OVERVIEW OF OUR BUSINESS	1 - 4
I. FINANCIAL INFORMATION	5
1. FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9 - 10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
General Information	11
Summary of Significant Accounting Policies	11 - 12
Significant Judgements, Accounting Estimates and Assumptions	12 - 29
Cash and Cash Equivalents	29 - 32
Receivables	32-33
Other Current Assets	33-34
Financial Assets at FVOCI	34-35
Property and Equipment	35
Investment Properties	36-37
Business Combination and Goodwill	37
Trade and Other Payables	37-38
Revenue	38-39
Cost and Expenses	39
Service Contracts	39-40
Related Party Transactions	40
Leases	40-42
Income Tax	42
Earnings (Loss) Per Share	43-44
Financial Risk Management Objectives and Policies	44
Fair Value Measurement	44-47
Capital Management	47-48
Operating Segment Information	48
Aging of Accounts Receivable	48-50
Civil cases	51
Litigation	52
.....	52-55
2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	
Key Performance Indicators	56
Results of operations	57
Discussion and analysis of material event/s and uncertainties known to management that would address the past and would have an impact on future operations.	58
II. OTHER MATTERS	
MAJOR STOCKHOLDERS	59
BOARD OF DIRECTORS/KEY OFFICERS	60

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

GENERAL INSTRUCTIONS

(a) Use of Form 17-Q

This SEC Form 17-Q shall be used for quarterly reports under Section 17 of the Code, filed pursuant to paragraph (2)(b) of SRC Rule 17 thereunder and shall be filed within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within 45 calendar days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later. No report need be filed for the fourth quarter of any fiscal year.

(b) Application of SRC Rule 72.1: Requirements for Filing Forms

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission. SRC Rule 68 contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

(c) Preparation of Report

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions should also be omitted.

(d) Incorporation by Reference

In accordance with the provisions of SRC Rule 12-2, if the issuer makes available to its stockholders or otherwise publishes, within the period prescribed for filing the report, a document or statement containing information meeting some or all of the requirements of Part I of this Form, the information called for may be incorporated by reference from such published document or statement, in answer or partial answer to any item or items of Part I of this Form, provided copies thereof are filed as an exhibit to Part I, and all information called for in this Form is supplied.

(e) Integrated Reports to Security Holders

Quarterly reports to security holders may be combined with the required information of Form 17-Q and will be suitable for filing with the Commission if the combined report contains full and complete answers to all items required by this Form. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made.

(f) Signature and Filing of Report

(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, shall, if any class of the issuer's securities are listed in a stock exchange, be filed with that Exchange.

(2) At least one complete copy of the report filed with the Commission and, when applicable, one copy filed with the Exchange shall be manually signed on the issuer's behalf by a duly authorized officer of the issuer and by the principal financial or chief accounting officer of the issuer. Copies not manually signed shall bear typed or printed signatures. In the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the issuer, one signature is acceptable provided the issuer clearly indicates the dual responsibilities of the signatory. See also paragraph (2) and (3) of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language, and pagination.

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, 2019
2. Commission identification number 11163
3. BIR Tax Identification No 000-471-497-000
4. Exact name of issuer as specified in its charter PHILCOMSAT HOLDINGS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office 316 Sen. Gil Puyat Avenue, Makati City Postal Code 1200
8. Issuer's telephone number, including area code (632) 815-9556
9. Former name, former address and former fiscal year, if changed since last report Not Applicable
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
Common Shares	996,391,254

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

Yes [] No []

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

Philippine Stock Exchange Common shares

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 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.

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

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

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".

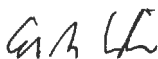
PART II--OTHER INFORMATION

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

SIGNATURES

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

Issuer.....PHILCOMSAT HOLDINGS CORPORATION



ERLINDA I. BILDNER
Treasurer & CFO

BUSINESS OVERVIEW

Philcomsat Holdings Corporation, formerly Liberty Mines, Inc. was incorporated on May 10, 1956. On January 10, 1997, the Corporation approved amendments of its Articles of Incorporation, changing its primary purpose from embarking in the discovery, exploration, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substances to a holding company and changing its name and declassifying its shares. These changes were filed with the Securities and Exchange Commission (SEC) on April 14, 1997, respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000) divided into one billion (1,000,000,000) common shares with a par value of P1.00 per share. Of the total authorized capital stock, sixty million (60,000,000) shares are listed at the Philippine Stock Exchange (PSE).

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019 AND 2018 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 2, 3, 4, 19 and 20)	P258,129,708	P425,910,084	P290,638,317
Receivables - current (Notes 2, 3, 5, 19, 20 and 23)	163,881,862	56,847,115	118,451,701
Due from related parties (Notes 2, 3, 15, 19 and 20)	13,255,800	30,311,793	17,255,800
Other current assets (Notes 2, 3, 6, 19 and 20)	4,513,389	3,187,602	3,433,889
Total Current Assets	439,780,759	516,256,594	429,779,707
Noncurrent Assets			
Receivables - noncurrent (Notes 2, 3, 5, 19, 20 and 23)	55,000,000	62,000,000	62,000,000
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 3, 7, 19 and 20)	978,260,044	842,272,681	922,850,176
Property and equipment - net (Notes 2, 3 and 8)	435,405	221,231	436,870
Investment properties - net (Notes 2, 3 and 9)	2,249,424	-	-
Goodwill (Notes 2, 3 and 10)	1,319,429	1,319,429	1,319,429
Deferred tax asset (Notes 2, 3 and 17)	1,011,221	302,824	478,130
Other noncurrent assets (Notes 2, 3 and 9)	-	-	2,232,100
Total Noncurrent Assets	1,038,275,523	906,116,165	989,316,705
	P1,478,056,282	P1,422,372,759	P1,419,096,412
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Notes 2, 3, 11, 19 and 20)	P6,369,169	P8,942,052	P5,163,193
Due to a related party (Notes 2, 3, 15, 19 and 20)	3,948,624	6,576,143	3,948,624
Customers' deposits (Notes 2, 3, 16, 19 and 20)	1,237,874	1,237,874	1,237,874
Income tax payable (Note 2)	-	132,465	25,125
Total Current Liabilities	11,555,667	16,888,534	10,374,816
Noncurrent Liability			
Deposit for future stock subscription (Notes 2 and 15)	18,894,000	18,894,000	18,894,000
Deferred tax liability (Notes 2 and 17)	-	1,054,905	750,417
Total Noncurrent Liabilities	18,894,000	19,948,905	19,644,417
Equity			
Share capital (Note 2)	996,391,254	996,391,254	996,391,254
Net unrealized loss on financial assets at FVOCI (Notes 2 and 7)	(3,375,707)	(42,710,373)	(39,864,383)
Retained earnings (Note 2)	454,591,068	431,854,439	432,550,308
Equity Attributable to Equity Holders of the Parent Company	1,447,606,615	1,385,535,320	1,389,077,179
Noncontrolling Interest (Note 2)	-	-	-
Total Equity	1,447,606,615	1,385,535,320	1,389,077,179
	P1,478,056,282	P1,422,372,759	P1,419,096,412

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
REVENUE (Notes 2 and 12)	P43,993,416	P35,888,864	P13,801,040	P7,548,380
COST AND EXPENSES (Notes 2 and 13)	(20,482,136)	(27,213,690)	(6,111,306)	(6,382,767)
TOTAL PROFIT	23,511,280	8,675,174	7,689,734	1,165,613
GAIN ON SALE OF INVESTMENT PROPERTY	-	99,112,396	-	-
GAIN ON DISPOSAL OF INVESTMENT IN SUBSIDIARY	-	25,076	-	-
UNREALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL) (Note 2)	(1,205)	-	10,604	-
UNREALIZED GAIN (LOSS) ON FOREIGN EXCHANGE	(857,580)	3,516,349	457,537	11,578
INCOME BEFORE INCOME TAX	22,652,495	111,328,995	8,157,875	1,177,191
PROVISION FOR INCOME TAX (Notes 2, 3 and 17)				
Current	(209,683)	(19,134,439)	(49,638)	(184,381)
Deferred	1,283,508	(958,892)	(106,250)	(1,593)
	1,073,825	(20,093,331)	(155,888)	(185,974)
NET INCOME	23,726,320	91,235,664	8,001,987	991,217
OTHER COMPREHENSIVE INCOME (LOSS) (Note 7)				
<i>Item that will be reclassified subsequently to profit or loss</i>				
Unrealized gain on debt instruments at FVOCI	23,421,556	17,564,686	8,608,758	4,381,465
<i>Item that may not be reclassified to profit or loss</i>				
Unrealized gain (loss) on equity instruments at FVOCI	13,067,119	(65,650,753)	(3,118,899)	(11,109,906)
	36,488,676	(48,086,067)	5,489,858	(6,728,441)
TOTAL COMPREHENSIVE INCOME (LOSS)	P60,214,996	P43,149,597	P13,491,845	(P5,737,224)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Notes 2 and 18)				
Computed based on Net Income	P0.0238	P0.0916	P0.0080	P0.0010
Computed based on Total Comprehensive Income (Loss)	0.0604	0.0433	0.0135	(0.0058)

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
SHARE CAPITAL (Note 2)	P996,391,254	P996,391,254
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Notes 2 and 7)	(3,375,707)	(42,710,373)
RETAINED EARNINGS (Note 2)		
Balance at beginning of year	432,550,308	340,257,935
Realized gain (loss) on sale of equity instruments at FVOCI	(1,685,560)	360,840
Net income for the period	23,726,320	91,235,664
Balance at end of one quarter	454,591,068	431,854,439
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	1,447,606,615	1,385,535,320
TOTAL EQUITY	P1,447,606,615	P1,385,535,320

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P22,652,495	P111,328,995
Adjustments for:		
Gain on sale of investment property (Note 9)	–	(99,112,396)
Depreciation (Notes 8 and 13)	1,465	1,673,691
Loss on sale of financial assets through FVOCI (Note 12)	–	32,113
Bad debts expense (Notes 9 and 13)	12,267	–
Unrealized loss on financial assets at FVPL	1,205	–
Operating income before working capital changes	22,667,432	13,922,403
Decrease (increase) in:		
Receivables	(45,442,428)	(6,153,356)
Other current assets	(1,080,705)	284,289
Increase (decrease) in:		
Trade and other payables	1,205,976	4,411,617
Customer's deposits	–	(3,163,200)
Net cash provided by (used in) operations	(22,649,725)	9,301,753
Income tax paid	(234,808)	(19,001,974)
Net cash used in operating activities	(22,884,533)	(9,700,221)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of:		
Investment property	–	201,388,000
Short-term investment	–	7,441,238
Subsidiary	–	1,926,497
Collection of notes and loans receivable	7,000,000	130,211,954
Changes in financial assets of managed portfolio at FVOCI (Note 7)	198,446,608	–
Acquisitions of financial assets at FVOCI (Note 7)	(219,053,360)	(10,709,518)
Additions to investment property (Note 9)	(17,324)	–
Decrease in due from related parties (Note 15)	–	(2,500,000)
Net cash provided by (used in) investing activities	(13,624,076)	327,758,171
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds from due from a related party (Note 15)	4,000,000	2,962,878
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,508,609)	321,020,828
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	290,638,317	104,889,256
CASH AND CASH EQUIVALENTS AT END OF THREE QUARTERS	P258,129,708	P425,910,084

Forward

**CASH AND CASH EQUIVALENTS AT
END OF THREE QUARTERS CONSISTS OF:**

Cash on hand and in banks	P21,498,837	P25,129,318
Cash equivalents	236,630,871	400,780,766
	P258,129,708	P425,910,084

NONCASH INVESTING ACTIVITIES

Increase (decrease) in:		
Investment property (Note 9)	P2,232,100	P-
Noncurrent asset	(2,232,100)	-
Total noncash investing activities	P-	P-

See accompanying Notes to Consolidated Financial Statements.

PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. General Information

Corporate Information

Philcomsat Holdings Corporation (PHC or the "Parent Company") was incorporated on May 10, 1956 with the primary purpose of embarking in the discovery, exploration, development and exploitation of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substance and with the secondary purpose of engaging in the business of mining in general. The Parent Company ceased oil and mining operations in 1992.

On July 23, 1997, the Philippine Securities and Exchange Commission (SEC) approved the amended Articles of Incorporation of the Parent Company consisting of a) change in its primary purpose from a mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation. On May 9, 2006, the SEC approved the extension of corporate life for another fifty (50) years.

The Parent Company started operations as a holding company on January 1, 2000. The Parent Company derives income from money market placements, bank deposits, financial assets at FVOCI, and other investments.

On May 23, 2016, the Parent Company's Board of Directors (BOD) confirmed and ratified its previous resolution increasing the authorized capital stock of the Parent Company from P1.0 billion, divided into 1,000,000,000 shares with par value of P1 per share, to P3.0 billion, divided into 3,000,000,000 shares with par value of P1 per share. As at report date, the resolution is awaiting ratification by the stockholders and pending application with SEC.

The Parent Company is 79.94% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate holding company is Philippine Overseas Telecommunications Corporation (POTC), also incorporated in the Philippines. Philcomsat and POTC are both engaged in the telecommunications business.

The Parent Company and all of its subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. Following are the subsidiaries and the respective percentages of ownership as of September 30, 2019 and December 31, 2018:

	Percentage of Ownership September 30, 2019		Percentage of Ownership December 31, 2018	
	Direct	Indirect	Direct	Indirect
Philcomsat Management Enterprises Inc. (PMEI)	100.00	–	100.00	–
Professional Stock Transfer Inc. (PSTI)	–	100.00	–	100.00

**Parent Company's ownership in PSTI is indirect through PMEI.*

The principal activities of the subsidiaries are as follows:

<u>Name of Subsidiaries</u>	<u>Principal Activities</u>
PMEI	Management services
PSTI	Stock transfer agency

The registered address of the Parent Company is at 12th Floor, Telecoms Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City.

Listing of shares in the PSE

The Parent Company's original 60 million shares are listed and traded in the Philippine Stock Exchange (PSE).

On May 3, 2007, the PSE suspended the trading of the Parent Company's shares pending compliance with certain structured reportorial requirements. On December 3, 2008, the SEC ordered the suspension of the Parent Company's registration of securities from the date of the receipt of the order until the Parent Company is able to submit the reportorial requirements and fully pay the corresponding penalties.

On April 1, 2014, the Parent Company, through its legal counsel, submitted to the SEC a letter request for the lifting of the order of suspension and for a compromise payment of the penalties. The SEC, on December 29, 2015, lifted the order of suspension and directed the Parent Company to file an updated Registration Statement.

As at the date of report, the Parent Company is still in the process of preparing the updated Registration Statement.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Measurement Bases

The consolidated financial statements are presented in the Philippine Peso (Peso) which is the Company's functional and presentation currency. All values are rounded to the nearest Peso, except as otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets measured at FVPL and financial assets measured at FVOCI. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- Amendments to PFRS 9, "Prepayment Features with Negative Compensation"

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through OCI, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party or receives reasonable compensation for the early termination of the contract.

- PFRS 16, "Leases"

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either full retrospective or a modified retrospective approach. The standard's transition provides permit and certain reliefs.

- Amendments to PAS 19, "Plan Amendment, Curtailment or Settlement"

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

- Amendments to PAS 28, "*Long-term Interests in Associates and Joint Ventures*"

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

Annual Improvements to PFRSs 2015-2017 Cycle

The Annual Improvements to PFRSs (2015-2017 cycle) are effective for annual periods beginning 2019 and are not expected to have a material impact on the Company.

- Amendments to PFRS 3, "*Business Combinations*" and PFRS 11, "*Joint Arrangements*", *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the asset and liabilities of joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

- Amendments to PAS 12, *"Income Taxes Consequences of Payments on Financial Instruments Classified as Equity"*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- PAS 23, *"Borrowing Costs, Borrowing Costs Eligible for Capitalization"*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Parent Company. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Noncontrolling interests pertain to the portion of profit or loss and the net assets in subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. Noncontrolling interests represent the interests of minority shareholders.

The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

Significant Accounting Policies

Current versus noncurrent classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months

All other liabilities are classified as noncurrent.

Deferred income tax assets are classified as noncurrent assets.

Fair Value Measurement

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

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

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

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

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

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

Financial Assets and Liabilities

Date of Recognition

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

Initial Recognition and Measurement

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL includes transaction cost.

"Day 1" Difference

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The Group does not have financial liabilities at FVPL as at September 30, 2019.

Financial Assets at FVPL

Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at September 30, 2019, the Group's marketable securities, presented under "other current assets" are classified under this category (see Note 6).

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2019, the Group's cash and cash equivalents, short-term investments, receivables (excluding advances subject to liquidation) and due from related parties are classified under this category (see Notes 4, 5 and 15).

Financial Assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at September 30, 2019, the Group designated its investments in quoted bonds, quoted shares of stocks, UITFs and club membership as financial assets at FVOCI (see Note 7).

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

As at September 30, 2019, the Group's trade and other payables (excluding statutory payables), due to a related party and customers' deposits are classified under this category (see Notes 11, 15 and 16).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI

The Group records an allowance for expected credit losses (ECL) which is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For retainer fee receivable, the Group has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments and other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Advances Subject to Liquidation

Advances subject to liquidation pertain to cash advances to employees used for the Group's operations that are subject to liquidation. These are initially measured at cost less impairment in value, if any.

Other Current Assets

Other current assets consist of:

Creditable Withholding Taxes

Creditable withholding tax is an amount that is withheld from income payments. This is deducted from income tax payable.

Input Value-added Tax (VAT)

Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under the Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability.

Prepayments

Prepayments include expenses already paid but not yet incurred. These are measured at cost less amortization.

Investment Property

Investment property is defined as a property, such as land or building, held for the purposes of earning rentals, for capital appreciation or both. This property is not held to be used in production or sale in the ordinary course of business.

Investment property is initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against current operations in the period in which the costs are incurred.

Depreciation of an investment property is computed using the straight-line method over the estimated useful life of the asset. The Group's condominium unit recognized as an investment property has an estimated useful life of 40 years. The condominium unit's useful life and depreciation method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When property and equipment are sold or retired, their costs and accumulated depreciation and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the profit or loss of such period.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Furnitures and fixtures	3
Transportation equipment	3-5
Office equipment	3
Office improvement	3-5

The useful lives of each of the property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets. The property and equipment's useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle the holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another management basis is required by PFRS. Acquisition-related costs incurred are expensed and included in costs and expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, including the separation of embedded derivatives in host contracts by the acquiree, if any.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net fair value of the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGU that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

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

If necessary information, such as fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

Impairment of Nonfinancial Assets

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

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

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU, to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Deposit for Future Subscription

Deposit for future stock subscription represents the amount received by the Parent Company which it records as such with a view of applying the same as payment for additional issuance of shares or increase in capital stock.

This is presented as part of liability because the Company is yet to comply with the conditions prescribed by the SEC.

Equity

Share Capital

Share capital is measured at par value for all shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These are subsequently closed against retained earnings.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Interest Income

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

Dividend Income

Dividend income is recognized when the Company's right to receive the dividend is established.

Rent Income

Rent income is recognized on a straight-line basis over the lease term since performance obligation is satisfied over time during the period when the Group gives the lessee the right to use the leased property.

Service Fees

Performance obligation is satisfied and service fees are recognized over time in reference to the stage of completion of the transaction based on the assessment of project engineers at the end of the reporting period. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Retainer Fee and Transfer Fee

Revenue is recognized under the accrual basis in accordance with the terms of the related agreements.

Gain on Sale of Financial and Nonfinancial Assets

Gain on sale of financial assets at FVOCI, FVPL, and nonfinancial assets are computed as the difference between the proceeds and its carrying amount.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss upon consumption of the goods and/or utilization of the service or at the date they are incurred.

Cost of Services

Cost of services are recognized as expense when the related service is performed.

General and Administrative Expenses

General and administrative expenses are incurred in the direction and general administration of day-to-day operation of the Group and are generally recognized when the service is used or the expense is incurred.

Operating Lease

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a. there is a change in the contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Group as a Lessor

The Group has entered into lease agreements as a lessor. The Group determined that it retains significant risks and rewards of ownership on properties leased to tenants under operating lease agreements.

The Group as a Lessee

The Group has entered into a lease agreement as a lessee. Critical judgment was exercised by management to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the financial reporting date. Foreign exchange gains and losses arising from foreign currency transactions and restatement of balances are recognized in profit or loss.

Related Party Relationships and Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Parent Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the Parent Company and close members of the family of any such individual.

The key management personnel of the Group and post-employment benefit plan for the benefit of Group's employees, if any, are also considered to be related parties.

Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Income Taxes

Current Tax

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

Deferred Tax

Deferred tax is provided on 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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

Earnings Per Share

Basic earnings per share is computed based on weighted average number of issued and outstanding common shares during the year.

Diluted earnings per share is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as of the beginning of the year.

Provisions

Provisions are recognized when the Group 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as an asset in the consolidated statements of financial position but only when the receipt of the reimbursement is virtually certain.

Contingencies

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

Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Information

The Group is engaged in investing of funds in various financial assets, service agreements with the government and stock transfer agency. The Group has aggregated these revenue-generating activities into a single operating segment as these segments are both passive in nature and have the same economic characteristics. The Group's revenue-generating assets are located in the Philippines.

3. Significant Judgements, Accounting Estimates and Assumptions

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

Judgments

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

Establishing Control Over Investment in Subsidiaries

The Group determines that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following are also considered:

- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights.

Classifying Financial Instruments

The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated statements of financial position.

Classification of financial instruments is disclosed in Note 2 to the consolidated financial statements.

Distinguishing Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is held primarily to earn rentals or capital appreciation or both or used for operations and administrative purposes of the Group.

Carrying amount of investment properties amounted to P2.2 million and nil as at September 30, 2019 and 2018, respectively (see Note 9).

Classifying Lease Agreements

The Group has entered into lease agreements as a lessor and as a lessee. Critical judgment was exercised by the Group to distinguish such lease agreement as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Group accounted for its lease agreements as operating lease.

The Group accounted for its lease agreements as operating lease (see Note 16).

Determining Operating Segments

Although each revenue-generating activity represents a separate operating segment, management has concluded that there is basis for aggregation into a single operating segment as allowed under PFRS 8, Operating Segments, due to their similar passive nature and economic characteristics.

Assessing Provisions and Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation of uncertainty at reporting date that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next reporting year are discussed below:

Assessing ECL on Debt Instruments

The Group determines the ECL based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on the financial instrument that are possible within 12 months after reporting date. When there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL.

The Group assessed that the credit risk on debt instruments has not increased significantly since initial recognition as these financial assets are determined to have low credit risk and are entered into with reputable banks, financial institutions and other counterparties.

No ECL on these debt instruments was recognized as of September 30, 2019 and 2018, and year ended December 31, 2018. The carrying amounts of financial assets at amortized cost and FVOCI are as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents*	P258,114,708	P425,895,084	P290,623,317
Receivables**	217,318,038	115,153,947	178,607,101
Due from related parties	13,255,800	30,311,793	17,255,800
Investment in quoted bonds measured at FVOCI	638,506,859	473,809,215	597,081,460

*excluding cash on hand amounting to P15,000 as at September 30, 2019 and 2018 and December 31, 2018.

**excluding advances subject to liquidation totalling P1,563,824, P3,693,168 and P1,844,600 as at September 30, 2019 and 2018 and December 31, 2018, respectively.

Determining Fair Value of Financial Assets at FVPL and FVOCI

The Group carries financial assets at FVPL and FVOCI at fair value in the consolidated statements of financial position. Determining the fair value of financial assets at FVPL and FVOCI requires extensive use of accounting estimates and judgment. The Group determined the fair values of financial assets at FVPL and FVOCI using a combination of available market prices in active markets for identical assets (Level 1) and prices computed using significant observable inputs (Level 2). Any changes in the fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

The fair value of financial assets at FVPL amounted to P0.1 million as at September 30, 2019 and 2018 and December 31, 2018 (see Notes 6 and 20).

The fair value of financial assets at FVOCI amounted to P976.3 million, P842.2 million and P922.9 million as at June 30, 2019 and 2018 and December 31, 2018 respectively (see Notes 7 and 20).

Estimating Impairment Losses on Nonfinancial Assets Other than Goodwill

An impairment review is performed when certain impairment indicators are present. The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment was recognized on September 30, 2019 and 2018 and December 31, 2018.

The carrying amounts of nonfinancial assets are as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Advances subject to liquidation	P1,563,824	P3,693,168	P1,844,600
Other noncurrent assets	-	-	2,232,100
Other current assets*	4,401,324	3,086,683	3,320,619
Property and equipment	435,405	435,405	436,870
Investment properties	2,249,424	-	-

*excluding financial assets at FVPL amounting to P112,065, P100,919 and P113,270 as at September 30, 2019 and 2018 and December 31, 2018, respectively.

Estimating Impairment Losses on Goodwill

The Group tests annually whether any impairment in goodwill is to be recognized, in accordance with related accounting policy in Note 2. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs to sell and value in use calculations which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs as at September 30, 2019 and 2018 and December 31, 2018, calculated based on value in use are greater than the corresponding carrying amounts (including goodwill) of the CGUs. The carrying amount of goodwill amounted to P1.3 million as at September 30, 2019 and 2018 and December 31, 2018. No impairment loss was recognized in 2019 and 2018 (see Note 10).

Assessing Recoverability of Deferred Tax Assets

The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group's recognized deferred tax assets as at September 30, 2019 and 2018 and December 31, 2018 amounted to P1.0 million, P0.3 million and P0.5 million respectively (see Note 17).

The Group did not recognize a portion of its deferred tax assets amounting to P6.9 million as at September 30, 2019 because management has assessed that these may not be realized because future taxable income may not be sufficient against which the deferred tax assets can be utilized (see Note 17).

4. Cash and Cash Equivalents

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Cash on hand and in banks	P21,498,837	P25,129,318	P16,779,594
Cash equivalents	236,630,871	400,780,766	273,858,723
	P258,129,708	P425,910,084	P290,638,317

Cash in banks earn interest at prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with terms of varying periods up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at prevailing special savings and time deposits rates.

Interest income included in revenue as shown in the consolidated statements of income is earned from the following (see Note 12):

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Cash and cash equivalents	P13,632,714	P849,136	P7,394,699	P127,276
Short-term investments	-	3,304,600	-	355,041
Receivables	3,678,515	7,440,813	1,009,944	1,108,263
Financial assets at FVOCI	17,768,139	10,031,883	2,766,571	4,407,217
	P35,079,368	P21,626,432	P11,171,213	P5,997,797

5. Receivables

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Trade receivables	P-	6,340,081	P-
Notes and loan receivable			
Corporate notes	149,834,735	75,271,590	104,305,002
Promissory notes issued by financial institutions	59,966,588	25,000,000	66,966,588
Interest receivable	5,744,088	3,636,327	5,748,255
Advances subject to liquidation	1,563,824	3,693,168	1,844,600
Retainer fee receivable	1,536,395	-	1,292,289
Dividend receivable	214,825	114,348	214,825
Nontrade receivable	91,674	500,000	138,142
Accrued revenue	-	4,349,601	-
	218,952,129	118,905,115	180,509,701
Less allowance for ECL	(70,267)	(58,000)	(58,000)
	218,881,862	118,847,115	180,451,701
Less noncurrent amount	(55,000,000)	(62,000,000)	(62,000,000)
Current portion of receivables	P163,881,862	P56,847,115	P118,451,701

Movements in the allowance for ECL are summarized below:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Balance at the beginning of the year	P58,000	P58,000	P58,000
Additions	12,267	-	-
Balance at the end of the year	P70,267	P58,000	P58,000

Notes and Loans Receivable

Corporate Notes

Corporate notes outstanding as at September 30, 2019, September 30, 2018, and December 31, 2018 pertain to short-term corporate promissory notes issued by various entities, with terms of up to 90 days and earn interest ranging from 2.8% to 5.0% per annum.

Promissory Notes issued by Financial Institutions

Unsecured promissory notes are issued by various financial institutions with terms ranging from two to ten years and earn interest ranging from 3% to 7% per annum.

Interest income earned from corporate notes and promissory notes issued by various financial institutions amounted to P1.0 million and P1.1 million for the quarter ended September 30, 2019 and 2018, respectively.

Loan to Araneta

The Parent Company had a loan to Araneta amounting to P125.0 million guaranteed by lots owned by Araneta's company, Ansear Realty and Development Corporation (Ansear). The note has long been past its due date and has been provided a full allowance for doubtful accounts since 2008. Moreover, the Parent Company ceased to recognize interest on the loan and filed a complaint for the collection of the note (Araneta case).

In November 2015, the Regional Trial Court (the Court) ordered Araneta and Ansear to pay the full amount of the loan plus the stipulated interest of 9% a year, penalty interest of 12% a year, including attorney's fees and costs of litigation.

The lots owned by Ansear, which are subject to a writ of attachment as ordered by the Court, were sold in January 2016 to settle the loan and the related interest. The Parent Company received P525.0 million, inclusive of VAT, in 2016 as partial settlement of the loan and interest. The full allowance for doubtful accounts on the note amounting to P125.0 million was reversed in 2016.

Proceeds in excess of the loan and interest receivable amounting to P340.6 million in 2016, net of legal and other costs of collection shouldered by the Company amounting to P67.6 million, were recorded as a gain on settlement of loan receivable of P273.0 million in 2016.

The Parent Company received the final settlement of loan adjustment amounting to P175.0 million, inclusive of VAT, in 2017. Proceeds amounting to P156.3 million, net of legal fees related to the collection amounting to P5.0 million, were recorded as a gain on settlement of loan receivable of P151.3 million in 2017.

Retainer Fee Receivable

This account consists of retainer fee receivables which are collectible on demand and are noninterest-bearing.

Advances Subject to Liquidation

Advances subject to liquidation pertains mainly to advances made to officers for operations of the Company.

6. Other Current Assets

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Creditable withholding tax	P2,420,885	P1,662,976	P1,929,221
Input VAT	1,963,505	1,406,771	1,374,464
Financial assets at FVPL	112,065	100,919	113,270
Prepaid insurance	16,934	16,936	16,934
	P4,513,389	P3,187,602	P3,433,889

The fair value of financial assets at FVPL is determined based on quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair value measurement of financial assets measured at FVPL is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and Level 2 (UITFs).

7. Financial Assets at FVOCI

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Investments in:			
Quoted bonds	P638,506,859	P473,809,215	P597,081,460
Quoted shares of stocks	226,098,521	219,843,268	203,301,266
UITFs	110,884,664	145,920,199	119,697,450
Club memberships	2,770,000	2,700,000	2,770,000
	P978,260,044	P842,272,681	P922,850,176

Movements of financial assets at FVOCI and cumulative unrealized gain (loss) on financial assets at FVOCI are as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Cost			
Balance at beginning of year	P962,714,559	P873,944,810	P873,944,810
Additions	219,053,360	11,038,244	116,937,793
Disposals	(200,132,168)	-	(28,168,044)
Balance at end of year	981,635,751	884,983,054	962,714,559
Cummulative Unrealized Gain (Loss)			
Balance at beginning of year	(39,864,383)	5,375,694	5,375,694
Unrealized fair value gain (loss) during the year	36,488,676	(48,086,067)	(45,828,850)
Reclassification of cummulative fair value changes of financial assets at FVOCI sold	-	-	588,773
Balance at end of year	(3,375,707)	(42,710,373)	(39,864,383)
Carrying amount	P978,260,044	P842,272,681	P922,850,176

Interest income earned from financial assets at FVOCI amounted to P2.8 million and P4.4 million for the quarters ended September 30, 2019 and 2018, respectively (see Note 4).

Dividend income earned from financial assets at FVOCI amounted to P4.6 million and P3.0 million for the quarters ended September 30, 2019 and 2018, respectively (see Note 12).

Realized loss on sale of equity instruments at FVOCI recognized directly to retained earnings amounted to P2.3 million and P0.6 million in September 30, 2019 and December 31, 2018.

The fair value of these financial assets are determined based on quoted market bid prices at the close of business as at reporting date since most of these are actively traded in an organized financial market. The fair value measurement of the financial assets at FVOCI is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and Level 2 (UITFs).

No ECL was recognized for investments in quoted bonds in 2019 and 2018.

8. Property and Equipment

This account consists of:

	December 31, 2018 (Audited)	Additions	Disposals	September 30, 2019 (Unaudited)
Cost				
Furniture and fixtures	P3,528,775	P-	P-	P3,528,775
Transportation equipment	5,011,638	-	-	5,011,638
Office equipment	1,429,848	-	-	1,429,848
Office improvement	39,325	-	-	39,325
	10,009,586	-	-	10,009,586
Less accumulated depreciation				
Furniture and fixtures	3,528,775	-	-	3,528,775
Transportation equipment	4,952,685	-	-	4,952,685
Office equipment	1,051,931	1,465	-	1,053,396
Office improvement	39,325	-	-	39,325
	9,572,716	1,465	-	9,574,181
	P436,870			P435,405

	December 31, 2017 (Audited)	Additions	Disposals	September 30, 2018 (Unaudited)
Cost				
Furniture and fixtures	P3,528,775	P-	P-	P3,528,775
Transportation equipment	5,011,638	-	-	5,011,638
Office equipment	1,460,923	-	273,193	1,187,730
Office improvement	39,325	-	-	39,325
	10,040,661	-	273,193	9,767,468
Less accumulated depreciation				
Furniture and fixtures	3,528,775	-	-	3,528,775
Transportation equipment	4,941,045	17,460	-	4,958,505
Office equipment	1,009,694	283,131	273,193	1,019,632
Office improvement	39,325	-	-	39,325
	9,518,839	300,591	273,193	9,546,237
	P521,822			P221,231

	December 31, 2017 (Audited)	Additions	Disposals	December 31, 2018 (Audited)
Cost				
Furniture and fixtures	P3,528,775	P-	P-	P3,528,775
Transportation equipment	5,011,638	-	-	5,011,638
Office equipment	1,460,923	249,118	(280,193)	1,429,848
Condominium unit	-	-	-	-
Office improvement	39,325	-	-	39,325
	10,040,661	249,118	(280,193)	10,009,586
Less accumulated depreciation				
Furniture and fixtures	3,528,775	-	-	3,528,775
Transportation equipment	4,941,045	11,640	-	4,952,685
Office equipment	1,009,694	80,313	(38,076)	1,051,931
Condominium unit	-	-	-	-
Office improvement	39,325	-	-	39,325
	9,518,839	91,953	(38,076)	9,572,716
	P521,822			P436,870

Depreciation expense is recognized as part of general and administrative expense in the quarters ended September, 2019 and 2018.

9. Investment Properties

Movements of the account are as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Cost			
Balance at beginning of year	P-	P164,772,000	P164,772,000
Additions	2,249,424	-	-
Disposal	-	(164,772,000)	(164,772,000)
Balance at end of year	2,249,424	-	-
Accumulated Depreciation			
Balance at beginning of year	-	61,123,296	61,123,296
Disposal	-	(62,496,396)	(62,496,396)
Depreciation	-	1,373,100	1,373,100
Balance at end of year	-	-	-
Carrying amount	P2,249,424	P-	P-

The Group's investment property pertains to a condominium unit located at 2nd Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City as at September 30, 2019.

The condominium unit with a net carrying value of P102.3 million was sold in 2018 for P201.4 million, resulting to a gain on sale amounting to P99.1 million (see Note 13). The Parent Company leased a portion of the condominium unit commencing on January 1, 2018 and ended on the date of sale of investment property (see Note 16).

The Group made advances to land owners amounting to P2.2 million for the acquisition of land in 2018 and was presented under "Other noncurrent assets" account in consolidated statements of financial position. This amount was reclassified to the "Investment Property" account in 2019.

Depreciation is recognized from the following:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Investment property	P-	P1,373,100
Property and equipment	1,465	300,591
Balance at end of year	P1,465	P1,673,691

Depreciation expense from the investment property is recorded as part of cost of services in the quarter ended September 30, 2018 (see Note 13).

10. Business Combination and Goodwill

Acquisition and Disposal of EDSSI

On December 5, 2017, the Group, through PMEI, obtained control of Elite Defense Security Services, Inc. (EDSSI), a security manpower agency, by acquiring 82.69 percent of EDSSI's outstanding shares and voting interest for a total consideration of P3.7 million. Subscriptions payable related to the acquisition amounted to P1.7 million as at December 31, 2017, P470,000 of which was paid in 2018.

The identifiable assets and liabilities of EDSSI at the date of acquisition are as follows:

Cash	P1,085,590
Receivables	466,796
Property and equipment	242,117
	<u>P1,794,503</u>

Goodwill was recognized as a result of the acquisition as follows:

Total consideration transferred	P3,721,000
Noncontrolling interest	778,990
Fair value of identifiable assets	(1,794,503)
Goodwill	<u>P2,705,487</u>

In 2018, the Group disposed of its investment in EDSSI for P3.0 million and deconsolidated EDSSI's assets and liabilities and the remaining unpaid subscriptions from the Group's consolidated balances, resulting to gain on disposal of P25,076. Accordingly, the goodwill related to the acquisition of EDSSI amounting to P2.7 million was also derecognized in 2018.

Goodwill

Goodwill pertains to the acquisition of the following subsidiaries:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
PSTI	P1,319,429	P1,319,429	P1,319,429
EDSSI	-	-	-
	<u>P1,319,429</u>	<u>P1,319,429</u>	<u>P1,319,429</u>

Management assessed that the recoverable amount of PSTI, the CGU to which the goodwill is allocated, exceeds its carrying amount. In estimating the related value in use, management used a cash flow projection based on past performance of the acquiree covering a five-year period at a discount rate of 4.44% in 2018. Cash flows beyond that five-year period have been extrapolated using the Group's average historical growth rate.

No impairment on goodwill was recognized in the 2019 and 2018.

11. Trade and Other Payables

This account consists of:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Accounts payable and accrued expenses	P5,470,487	P6,337,052	P4,544,760
Statutory payables	898,682	2,605,000	618,433
	<u>P6,369,169</u>	<u>P8,942,052</u>	<u>P5,163,193</u>

Accounts payable are noninterest-bearing and are normally settled on a 30-day credit term.

Accrued expenses pertain primarily to accrued trust and brokers' fees and dues and subscriptions.

Statutory payables pertain to expanded withholding taxes and other payables to government agencies remitted in the subsequent month.

12. Revenue

Disaggregation of revenue is as follows:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Interest income (Note 4)	P35,079,368	P21,626,432	P11,171,214	P5,997,797
Dividend income (Note 7)	4,609,803	3,032,778	1,207,908	295,192
Retainer fee	3,767,107	3,177,107	1,229,536	1,076,036
Stock transfer fee	246,214	134,630	131,382	23,755
Rent income (Note 16)	–	4,359,200	–	105,600
Service fee	–	3,414,586	–	–
Others	290,924	144,131	61,000	50,000
	P43,993,416	P35,888,864	P13,801,040	P7,548,380

Retainer fee pertains to monthly retainer fees earned by PSTI being a stock-transfer agent.

13. Cost and Expenses

This account consists of:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Cost of Services				
Salaries and other benefits	P894,108	P964,571	P310,927	P279,447
Project costs	–	–	–	–
Transportation	–	53,755	–	53,755
Communication, light and water	–	28,895	–	28,895
Depreciation (Note 9)	–	1,455	–	–
Outside services	–	2,962,877	–	–
Loss on sales of debt instruments at FVOCI	–	32,113	–	–
	894,108	4,043,666	310,927	362,097
General and administrative expenses				
Professional fees	10,158,487	9,455,234	3,317,472	3,159,822
Director's fee (Note 15)	2,700,000	4,720,000	900,000	1,560,000
Transportation and travel	1,259,264	1,016,873	383,384	421,270
Rent (Note 16)	1,137,340	1,109,459	359,528	369,820
Representation and entertainment	973,930	696,423	203,906	193,574
Taxes and licenses	676,484	1,001,638	200	20,187
Legal fee	645,185	1,595,764	8,896	17,630
Communication, light and water	290,966	223,099	139,149	52,721
Dues and subscription	184,124	719,678	57,930	41,100
Stationery, print and office supplies	157,068	–	51,412	–
Forward				

Bad debts expense	12,267	–	12,267	–
Insurance	1,802	142,825	(2,805)	–
Depreciation (Note 8)	1,465	1,672,963	10	1,454
Repairs and maintenance	550	274,390	-	–
Others	1,389,096	541,678	369,030	183,092
	19,588,028	23,170,024	5,800,379	6,020,670
	P20,482,136	P27,213,690	P6,111,306	P6,382,767

14. Service Contracts

The Group, through PMEI, entered into various projects with the government in 2018 as follows:

Project	Percentage of Completion	Service Fees	Project Costs
2018 Project			
Managed VSAT Services	100%	P4,164,129	P4,645,029

Projects costs incurred consist of contracted services for the installation of the VSATs.

Service fees and project costs pertaining to each project are recognized based on percentage of completion. Accrued revenue amounting to P4.2 million as at June 30, 2018 mainly pertains to revenue earned based on percentage of completion (see Note 5). This was subsequently billed and collected.

15. Related Party Transactions

The Group has transactions with related parties as follows:

As of September 30, 2019 (Unaudited)

	Nature of transaction	Classifications	Terms and Cond/Non	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
<i>(a) Immediate Parent</i>						
Philcomsat	Cash advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	P-	P3.4
	Future subscription	Deposit for future stock subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18.9
	Advances for project costs	Due to a related party	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	-	3.9
<i>(b) Company under Common Control</i>						
Montemar Resort Development Corp.	Cash advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	-	0.3
Montemar Beach Club Inc.	Notes receivable	Receivables	unsecured, 5% to 6% per annum, due on demand, payable in cash, no guarantees	none	-	28.8
	Cash Advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	(4.0)	9.5
		Interest income		none	1.6	-

As of September 30, 2018 (Unaudited)

	Nature of transaction	Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
<i>(a) Immediate Parent</i>						
Philcomsat	Cash advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	P3.0	P6.6
	Future subscription	Deposit for future stock subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	-	18.9
	Rent of office space	Rent income		none	0.3	-
<i>(b) Company under Common Control</i>						
Montemar Resort Development Corp.	Cash advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	-	0.3
Montemar Beach Club Inc.	Notes receivable	Receivables	unsecured, 5% to 6% per annum, due on demand, payable in cash, no guarantees	none	-	-
	Cash Advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	14	27.5
		Interest income		none	0.2	-

As of December 31, 2018 (Audited)

		Classifications	Terms and Condition	Allowance for bad debts/ Bad debts for the year	Amount of the Transaction	Outstanding Balance
<i>(a) Immediate Parent</i>						
Philcomsat		Cash Advances	unsecured, noninterest-bearing, no term, payable in cash, no guarantees	none	P-	P3.4
	Future subscription	Deposit for future stock subscription	unsecured, noninterest-bearing, no term, payable in exchange for shares of stock, no guarantees	none	0.3	3.9
	Advances for project costs	Due to a related party	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	-	18.9
	Rent of office space	Rent income		none	1.4	-
<i>(b) Company under Common Control</i>						
Montemar Resort Development Corp.	Cash advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	-	0.3
Montemar Beach Club Inc.	Notes receivable	Receivables	unsecured, 5% to 6% per annum, due on demand, payable in cash, no guarantees	none	6.5	28.8
	Cash Advances	Due from related parties	unsecured, noninterest-bearing, due on demand, payable in cash, no guarantees	none	-	13.5
		Interest income		none	0.2	-

Receivable from MBCI

Cash advances to MBCI are unsecured and due on demand and bear interest at 5% to 6% per annum and will be settled in cash.

Receivable from Philcomsat and MRDC

Cash advances to Philcomsat at MRDC are unsecured, noninterest-bearing, due on demand and will be settled in cash.

The Group did not recognize any provision for ECL on due from related parties in 2019 since the counterparties have sufficient liquid assets to settle the unpaid amounts as at reporting period. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates. Related party transactions have been fairly evaluated since the Group treated it same with the transactions to the third parties.

Due to a Related Party

Due to a related party are unsecured, noninterest-bearing, due on demand and will be settled in cash.

The Parent Company as a Lessee

The Parent Company has a lease agreement with Philcomsat for the rent of its office space located at the 12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City. The lease term is for one year and is renewable under mutual agreement of both parties. Rent expense amounted to P 0.39 million and P0.37 million for the quarters ended September 30, 2019 and September 30, 2018, respectively.

Compensation of Key Management Personnel

Compensation of the key management personnel of the Group consists only of directors' fees amounting to P 0.9 million and P1.7 million for the quarters ended September 30, 2019 and 2018 respectively (see Note 13).

16. Leases

The Group As a Lessor

The Parent Company previously leased a portion of its condominium unit located at 2nd Floor Pacific Star Building, Gil Puyat Avenue, Makati City to a certain tenant. Monthly rental subject to a 5% annual escalation amounted to P1.0 million commencing on January 1, 2018 and ended when the Parent Company sold the investment property in the second quarter of 2018. The Parent Company also leased out parking slots to a certain tenant in 2018 and 2017. Rental deposit received amounting to P1.2 million as at September 30, 2019 and 2018 and December 31, 2018, is shown as "Customers' deposits" account in the consolidated statements of financial position. This will be refunded at the end of the lease term.

Rent income from the said lease amounted to nil and P0.01 million for the quarters ended September 30, 2019 and September 30, 2018, respectively (see Note 12).

The Group As a Lessee

The Group has a lease agreement with Philcomsat for its office space for a term of one year subject to renewal under mutual agreement of both parties. Rent expense amounted to P359,528 and P369,820 for the quarters ended September 30, 2019 and September 30, 2018, respectively (see Note 13).

As at September 30, 2019 and 2018, the Group has no outstanding commitments under non-cancellable operating leases.

17. Income Tax

The composition of provision for current income tax is as follows:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
RCIT	P-	P19,117,890	P-	P200,822
MCIT	209,683	16,549	49,638	(16,441)
	P209,683	P19,134,439	P49,638	P184,381

The following are the computation of minimum corporate income tax:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Taxable income	P10,484,151	P827,450	P2,481,907	(P822,050)
Tax due at 2%	P209,683	P16,549	P49,638	(P16,441)

The reconciliation between the statutory and effective income tax of the Group is as follows:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Income before income tax	P22,652,495	P111,328,995	P8,157,875	P1,177,191
Income tax at statutory income tax rate	P6,795,749	P33,398,699	P2,447,363	P353,157
Change in unrecognized deferred income tax assets	2,652,471	(4,330,488)	1,046,273	(218,275)
Difference between OSD and itemized deductions	-	(6,766,188)	-	2,416,175
Income tax effects of:				
Nondeductible representation expense	281,152	-	57,992	-
Expired NOLCO	-	4,112,213	-	-
Nontaxable gain	-	-	-	(35,100)
Dividend income	(1,382,941)	(909,834)	(362,372)	(853,317)
Interest income subjected to final tax	(9,420,256)	(5,408,263)	(3,033,368)	(1,474,741)
	(P1,073,825)	P20,096,139	P155,888	P187,899

The components of the recognized net deferred tax asset (liability) of the Group are as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Deferred tax assets:			
MCIT	P337,255	P98,136	P127,572
NOLCO	400,951	187,288	338,859
Allowance for doubtful accounts	21,080	17,400	17,400
Unrealized foreign exchange loss (gain)	251,935	-	(5,701)
<i>Forward</i>	P1,011,221	P302,824	P478,130

Deferred tax liability:			
Unrealized foreign exchange gain	-	(1,054,905)	(750,417)
Unrealized gain on financial assets at FVPL	-	-	-
	P-	(P1,054,905)	(P750,417)

18. Earnings (Loss) Per Share

Basic and diluted earnings per share based on net income are as follows:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Net income	P23,726,320	P91,235,664	P8,001,987	P991,217
Weighted average no. of shares outstanding	996,391,254	996,391,254	996,391,254	996,391,254
	P0.0238	P0.0916	P0.0080	P0.0010

Basic and diluted earnings (loss) per share based on total comprehensive income are as follows:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 to September 30, 2018 (Unaudited)	From July 1 to September 30, 2019 (Unaudited)	From July 1 to September 30, 2018 (Unaudited)
Total comprehensive income (loss)	P60,214,996	P43,149,597	P13,491,845	(P5,737,224)
Weighted average no. of shares outstanding	996,391,254	996,391,254	996,391,254	996,391,254
	P0.0604	P0.0433	P0.0135	(P0.0058)

19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are comprised of cash and cash equivalents, short-term investments, receivables (excluding advances subject to liquidation), due from related parties, financial assets at FVPL and FVOCI, trade and other payables (excluding statutory payables), customers' deposits, and due to a related party. The main risks arising from the Group's financial instruments are market, credit and liquidity risks.

Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in market factors such as, but not limited to, equity price risk or the risk that the stock prices will change; interest rate risk or the risk that interest rates will change and currency risk or the risk that foreign exchange rates will change.

The central focus of the Group's market risk management is financial assets at FVOCI. The Group has established a risk management/measure system to mitigate the adverse effects in fluctuations of the price or market value of these financial assets. The current policies of the Group are anchored on the selective purchase of shares of stock and establishment of trading and stop loss limits on dealer trading activities to manage possible financial losses to be incurred from trading activities.

Equity Price Risk

Equity price risk is the risk that the fair values of equity instruments recognized under financial assets at FVOCI decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The Group measures the sensitivity of its investment securities by using PSE index (PSEi) fluctuations. The table below sets forth the impact of changes in PSEi in other comprehensive income in 2019 and 2018.

	Increase (Decrease) in PSEi Index	Increase (Decrease) in Other Comprehensive Income
September 30, 2019 (Unaudited)	8%	P18,616,702
	(4%)	(9,120,882)
December 31, 2018 (Audited)	21%	P43,271,778
	(7%)	(13,658,584)

The sensitivity of the equity is the effect of the assumed changes in the PSEi on the net unrealized gain (loss) for the year, based on the adjusted beta rate of equity securities as at September 30, 2019 and December 31, 2018.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at September 30, 2019 and December 31, 2018, the Company has repricedable financial assets, specifically investments in quoted bonds classified as financial assets at FVOCI. Accordingly, the Group is subject to fair value interest

The Group measures the sensitivity of its investment securities by using PHP BVAL reference rate fluctuations. The table below sets forth the impact of changes in PHP BVAL in the Company's other comprehensive income for the period September 30, 2019 and December 31,

	Increase (Decrease) in BVAL Rates	Increase (Decrease) in Other Comprehensive Income
September 30, 2019 (Unaudited)	57%	P363,497,210
	(10%)	63,978,929
December 31, 2018 (Audited)	22%	P133,984,842
	(33%)	199,564,529

Foreign Exchange Risk

The Group's foreign-currency denominated financial instrument consists of cash in banks and cash equivalents totaling US\$1.1 million and US\$1.1 million as at September 30, 2019 and December 31, 2018, respectively. The Group's exposure to foreign currency risk is insignificant.

The Group's objective is to reduce the exposure to foreign currency risk at a minimum since revenues are peso-denominated.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial assets that potentially subject the Group to credit risk consist primarily of cash in banks and cash equivalents, receivables (excluding advances subject to liquidation), due from related parties, short-term investments and debt instruments measured at FVOCI.

The Group enters into contracts only with recognized, credit-worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group obtains guarantees where appropriate to mitigate credit risk.

Financial Assets

The Group limits its credit risk by depositing its cash with highly reputable and pre-approved financial institutions and by providing loans to counterparties with sufficient liquid assets to settle the loan balance when demanded.

As discussed in Note 3 to the financial statements, the Group considers credit risk in measuring ECL of debt instruments at amortized cost. Since all of these financial assets of the Group are considered to have low credit risk, impairment loss is limited to 12 months ECL.

The Group has no concentration of credit risk. The carrying amounts of the Group's financial assets at amortized cost, FVPL and FVOCI represent the maximum exposure to credit risk as at the reporting date as follows:

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Cash and cash equivalents*	P258,114,708	P425,895,084	P290,623,317
Receivables**	217,318,038	115,153,947	178,607,101
Due from related parties	13,255,800	30,311,793	17,255,800
Financial assets at FVPL ***	112,065	100,919	113,270
Financial assets at FVOCI	978,260,044	842,272,681	922,850,176

*excluding cash on hand amounting to P15,000 as at September 30, 2019 and 2018 and December 31, 2018.

**excluding advances subject to liquidation totalling P1,563,824, P3,693,168 and P1,844,600 as at June 30, 2019 and 2018 and December 31, 2018, respectively.

***presented under other current assets

Generally, receivables are written-off if collection cannot be made despite exhausting all extra-judicial and legal means of collection. The maximum exposure to credit risk at reporting date is the carrying value of the financial assets. The Group does not hold collateral as security.

Liquidity Risk

The Group seeks to manage its liquid funds through cash planning on a monthly basis. The Group uses historical figures and experiences, and forecasts from its collection and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. Moreover, it continuously assesses conditions in the financial markets for possible business opportunities.

The Group's objective is to maintain a balance between continuity of funding and flexibility using noninterest-bearing advances from its related parties. The Group considers its available funds and its liquidity in managing its financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of trade and other payables.

The tables below summarize the maturity profile of the Group's financial liability based on contractual undiscounted payments:

September 30, 2019 (Unaudited)					
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables*	P-	5,470,487	P-	P-	P5,470,487
Due to a related party	3,948,624	-	-	-	3,948,624
Customers' deposits	1,237,874	-	-	-	1,237,874
	P5,186,498	P5,470,487	P-	P-	P10,656,985

*excluding statutory payables amounting to P898,682 as at September 30, 2019.

September 30, 2018 (Unaudited)					
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables*	P-	6,337,052	P-	P-	P6,337,052
Due to a related party	6,576,143	-	-	-	6,576,143
Customers' deposits	1,237,874	-	-	-	1,237,874
	P7,814,017	P6,337,052	P-	P-	P14,151,069

*excluding statutory payables amounting to P2,605,000 as at September 30, 2018.

December 31, 2018 (Audited)					
	On Demand	1 to 3 months	3 to 12 months	More than 12 months	Total
Trade and other payables*	P-	P4,544,760	P-	P-	P4,544,760
Due to a related party	3,948,624	-	-	-	3,948,624
Customers' deposits	1,237,874	-	-	-	1,237,874
	P5,186,498	P4,544,760	P-	P-	P9,731,258

*excluding statutory payables amounting to P618,433 as at December 31, 2018.

20. Fair Value Measurement

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values due to the short-term nature of the transactions:

Financial Assets

	September 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents*	P258,114,708	P258,114,708	P290,623,317	P290,623,317
Receivables**	217,318,038	217,318,038	178,607,101	172,227,867
Due from related parties	13,255,800	13,255,800	17,255,800	17,255,800
Financial assets at FVPL***	112,065	112,065	113,270	113,270
Financial assets at FVOCI:				
Quoted bonds	638,506,859	638,506,859	597,081,460	597,081,460
Quoted shares of stocks	226,098,521	226,098,521	203,301,266	203,301,266
UITFs	110,884,664	110,884,664	119,697,450	119,697,450
Club memberships	2,770,000	2,770,000	2,770,000	2,770,000
	P1,467,060,655	P1,467,060,655	P1,409,449,664	P1,403,070,430

*excluding cash on hand amounting to P15,000 as at September 30, 2019 and December 31, 2018.

**excluding advances subject to liquidation totalling P1,563,824 and P1,844,600 as at September 30, 2019 and December 31, 2018 respectively.

***presented under other current assets

Financial Liabilities

	September 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other payables*	P5,470,487	P5,470,487	P4,544,760	P4,544,760
Due to a related party	3,948,624	3,948,624	3,948,624	3,948,624
Customers' deposits	1,237,874	1,237,874	1,237,874	1,237,874
	P10,656,985	P10,656,985	P9,731,258	P9,731,258

*excluding statutory payables amounting to P898,682 and P618,433 as at September 30, 2019 and December 31, 2018 respectively.

The following methods and assumptions were used to estimate the fair value of each class of

Cash in Banks and Cash Equivalents, Short-term Investments, Due from Related Parties, Due to a Related Party, Customers' Deposits and Trade and Other Payables (excluding statutory payables). Due to the short-term nature of transactions, the carrying amounts approximate their fair values as at reporting date.

Financial Assets at FVPL and FVOCI. The fair value of these financial assets, except for managed funds, are determined in reference to quoted market bid prices at the close of business on the reporting date since most of these are actively traded in an organized financial market. The fair value of managed funds are determined through reference to the quoted price of the underlying securities in the fund. The fair value measurement of these financial assets is classified as Level 1 (Quoted bonds, shares of stock and club memberships) and Level 2 (UITFs).

Receivables (excluding Advances Subject to Liquidation). The fair values of receivables are estimated as the present value of all future cash flows discounted using applicable rates of similar type of instruments as at reporting date. The discount rates used ranged from 6.0% to 7.0% in 2019 and 2018. The fair value measurement of these receivables is classified as Level 2 (Significant observable inputs).

21. Capital Management

The primary objective of the Group'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 Group manages its capital structure and makes adjustments when there are changes in economic conditions.

The Group considers total equity as its capital. The Group monitors its capital structure using debt-to-equity ratio which is gross debt divided by equity as follows:

	From January 1 to September 30, 2019 (Unaudited)	From January 1 September 30, 2018 (Unaudited)	December 31, 2018 (Audited)
Total Debt	P30,449,667	P36,837,439	P30,019,233
Total Equity	1,447,606,615	1,385,535,320	1,389,077,179
Debt-to-equity ratio	0.021:1	0.026:1	0.022:1

22. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to investing of funds in various financial assets, service agreements with the government and stock transfer agency.

The disaggregated revenue, as disclosed in Note 12, was assigned to the operating segments as follows:

Revenue as Disaggregated	Operating Segment
Interest income	Investing of funds
Dividend income	Investing of funds
Forward	

Rent income	Investing of funds
Service fees	Service agreement with the government
Retainer fee	Stock transfer agency
Stock transfer fee	Stock transfer agency
Gain on sale of investment property	Investing of funds

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with that presented in the consolidated statements of comprehensive income.

Significant information of the Group's reportable segments is as follows:

September 30, 2019 (Unaudited)				
Segment	Investing of Funds	Service		Total
		Agreements with the Government	Stock Transfer Agency	
Segment revenue	39,689,171	—	P4,304,245	P43,993,416
Segment profit (loss)	40,696,862	60,543	(11,839)	40,745,566
Interest income	11,171,214	—	—	11,171,214
Cost and expenses	—	—	4,321,674	4,321,674
Provision for (benefit from) income tax	(1,007,691)	(60,544)	(5,590)	(1,073,826)
Total assets	1,444,529,666	28,677,651	3,529,535	1,476,736,852
Total liabilities	25,707,366	4,588,412	153,889	30,449,667

December 31, 2018 (Audited)				
Segment	Investing of Funds	Service		Total
		Agreements with the Government	Stock Transfer Agency	
Segment revenue	P42,234,755	P4,189,205	P2,198,871	P48,622,831
Segment profit (loss)	119,975,120	(432,835)	2,216,316	121,758,601
Gain on sale of investment property	99,112,396	—	—	99,112,396
Interest income	30,953,374	—	—	30,953,374
Depreciation	1,373,100	—	—	1,373,100
Provision for (benefit from) income tax	19,998,931	(194,462)	(48,097)	19,756,372
Total assets	1,386,376,804	29,852,683	2,866,925	1,419,096,412
Total liabilities	29,945,758	—	73,475	30,019,233

Reconciliation of the total balances for the reportable segments with the balances in the consolidated statements of financial position and consolidated statements of income is as

	September 30, 2019		
	(Unaudited)		
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P43,993,416	P-	P43,993,416
Cost and expenses	(4,321,675)	(16,160,461)	(20,482,136)
Other income	-	(858,785)	(858,785)
Income before income tax	39,671,741	(17,019,246)	22,652,495
Provision for income tax	(1,073,825)	-	(1,073,825)
Net income	P40,745,566	(P17,019,246)	P23,726,320
Assets	P1,476,736,852	P1,319,430	P1,478,056,282
Liabilities	P30,449,667	P-	P30,449,667

	December 31, 2018		
	(Audited)		
	Reportable Segments	Not Attributable to Reportable Segments	Consolidated Balances
Revenue	P48,622,831	P-	P48,622,831
Cost and expenses	(8,740,647)	(27,668,420)	(36,409,067)
Gain on sale of investment property	99,112,396	-	99,112,396
Others income	2,520,393	-	2,520,393
Income before income tax	141,514,973	(27,668,420)	113,846,553
Provision for income tax	19,756,372	-	19,756,372
Net income	P121,758,601	(P27,668,420)	P94,090,181
Assets	P1,416,483,720	P2,612,692	P1,419,096,412
Liabilities	P30,019,233	P-	P30,019,233

Differences between the reportable segments' assets, liabilities, revenue and net income and the Group's consolidated assets, liabilities, revenue and net income pertain primarily to goodwill and the Parent Company's operating expenses in September 30, 2019 and 2018 and December 31, 2018 which cannot be directly attributed to any reportable segment.

23. Aging of Accounts Receivable

The aging schedule of the Group's receivables are as follows:

	September 30, 2019 (Unaudited)			
	Neither Past Due nor Impaired	Past Due but not impaired		Total
		30 days	More than 60 days	
Notes and loans	P209,801,323	P-	P-	P209,801,323
Due from related parties	13,255,800	-	-	13,255,800
Interest receivable	5,744,088	-	-	5,744,088
Advances subject to liquidation	1,563,824	-	-	1,563,824
Retainer fee receivable	1,466,128	-	-	1,466,128
Dividend receivable	214,825	-	-	214,825
Nontrade receivable	91,674	-	-	91,674
	P232,137,662	P-	P-	P232,137,662

	September 30, 2018 (Unaudited)			
	Neither Past Due nor Impaired	Past Due but not impaired		Total
		30 days	More than 60 days	
Trade receivables	P6,282,081	P-	P-	P6,282,081
Notes and loans	100,271,590	-	-	100,271,590
Due from related parties	30,311,793	-	-	30,311,793
Interest receivable	3,636,327	-	-	3,636,327
Advances subject to liquidation	3,693,168	-	-	3,693,168
Dividend receivable	114,348	-	-	114,348
Nontrade receivable	500,000	-	-	500,000
Accrued revenue	4,349,601	-	-	4,349,601
	P149,158,908	P-	P-	P142,876,827

	December 31, 2018 (Audited)			
	Neither Past Due nor Impaired	Past Due but not impaired		Total
		30 days	More than 60 days	
Notes and loans	P171,271,590	P-	P-	P171,271,590
Due from related parties	17,255,800	-	-	17,255,800
Interest receivable	5,748,255	-	-	5,748,255
Advances subject to liquidation	1,844,600	-	-	1,844,600
Retainer fee receivable	1,234,289	-	-	1,234,289
Dividend receivable	214,825	-	-	214,825
Nontrade receivable	138,142	-	-	138,142
	P197,707,501	P-	P-	P197,707,501

24. Civil Cases

An action was filed in the Sandiganbayan by a group claiming to be directors and officers of POTC and Philcomsat seeking to enjoin the present directors and officers of POTC and Philcomsat from representing themselves as directors and officers and representatives of the Parent Company. The Parent Company sought the dismissal of the complaint against it on the ground that it is not a real party-in-interest since the injunction being sought is not directed against it. The Sandiganbayan issued a decision dismissing the case. The group alleging that they are the POTC and Philcomsat board of directors, however, appealed the case with the Supreme Court (SC) on November 10, 2008. The SC consolidated this case with three other cases.

On July 3, 2013, the SC in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and declared the Bildner Group as the legitimate board of directors of the Parent Company. The July 3, 2013 Decision attained finality on October 23, 2013 when the Supreme Court issued a Resolution denying the Motions for Reconsideration filed by the opposing parties. On March 27, 2014, the July 23, 2013 Decision has become final and executory.

The Parent Company also filed cases for the recovery of advances made by former directors and officers of the Parent Company. These cases are now pending resolution with the Department of Justice (DOJ).

25. Litigation

The following cases were filed by the Parent Company to recover assets allegedly withdrawn or misappropriated by the former officers:

- Philippine Communications Satellite Corporation Against Philcomsat Holdings Corp. (PHC and former directors), Luis Lokin Jr., Enrique Locsin and Philip Brodett (Locsin Group)

PHC, through the valid and incumbent directors (Bildner Group) filed a Motion for Issuance of Writ of Execution with the Regional Trial Court (RTC) of Makati Branch 138 as court of origin, following the final resolution of SC declaring the election of Locsin Group as PHC's officers and directors. Accordingly, the SC ordered the Locsin Group to render an accounting and return of funds allegedly received from the Company. An Order granting the Motion was issued on February 20, 2017, resulting to the issuance of the Writ of Execution on February 28, 2017. On January 9, 2018, PHC filed a manifestation for the implementation of the Writ of Execution. On February 9, 2018, an Order was issued directing PHC, within thirty (30) days from receipt, to submit its preferred accounting firm who will conduct the accounting of all funds and other assets received from POTC, PHC and Philcomsat since September 2004. On February 22, 2018, PHC filed its Ex-Parte Manifestation and Motion, in compliance with the said Order. On July 11, 2018, the Sheriff of the Office of the Clerk of Court of Makati served the Writ of Execution to Manuel Andal, Benito Araneta, Philip Brodett, Enrique Locsin, Concepcion Poblador and Johnny Tan. On June 6, 2019, PHC filed an Ex-Parte Motion to Resolve the pending motion to appoint Virgilio R. Santos as the auditing accounting firm for the execution of the SC Decision dated July 3, 2013 issued in GR Nos. 184622, 184712-14, 186066 and 186590. The case is set for status conference on November 8, 2019 at 1:30 p.m.

On May 2, 2017, the Presidential Commission on Good Government (PCGG) and Locsin filed with the Court of Appeals (CA) a Petition for Certiorari and Prohibition with Very Urgent Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction assailing the Order dated February 20, 2017 issued by the RTC. On January 30, 2018, the CA issued a Decision dismissing the Petition. On February 22, 2018, PCGG and Locsin filed their Motion for Reconsideration with Motion to Exclude the PCGG from the instant Petition, which are both denied in a Resolution dated June 27, 2018. On August 8, 2018, PCGG filed its Motion for Reconsideration on the denial of its Motion for Exclusion. On October 29, 2018, Philcomsat filed its Opposition thereto. On June 27, 2018, the CA issued a Resolution denying PCGG's Motion for Reconsideration.

Meanwhile, PCGG and Locsin filed a Petition for Review with the Supreme Court (SC) questioning the Decision issued by the CA dated January 30, 2018, which dismissed their Appeal. Philcomsat filed its comment thereto on November 6, 2018.

Separately, Brodett filed his Petition for Certiorari under Rule 65 with the CA assailing the Order issued by the RTC, which denied his Motion for Clarification on the issue of rendering an accounting of the funds. The CA denied his Petition on the ground that clarification may only be allowed if the order involves a clerical error but not when it is an alleged erroneous judgment or dispositive portion of the decision. Since Brodett's Motion for Clarification was raised questioning the grant of a writ of execution, the CA held that it cannot be subject of a motion for clarification. On December 15, 2017, the CA's dismissal was issued and the case was considered terminated. Brodett still filed his Motion for Reconsideration, which was denied on May 10, 2018. Brodett elevated the matter to the SC via Petition for Review but the SC denied the same in a Resolution dated August 29, 2018.

- Complaint for Collection Against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Parent Company against Benito Araneta and Luis Lokin Jr., former directors of the Parent Company for an alleged personal back to back loans with Bankwise procured by Araneta using the Parent Company's funds as collateral, with the help of Lokin, in the amount of P35.3 million.

On February 2, 2017, a Decision was issued finding Araneta and Lokin liable to pay PHC a) actual damages in the sum of P31.5 million plus legal interest of 6% computed from May 26, 2010, the time of judicial demand until fully paid; b) P200,000 as and by way of exemplary damages; and c) P200,000 as and by way of attorney's fees, plus costs of suit.

Araneta and Lokin filed their Notices of Appeal on September 6 and September 8, 2017, respectively. On January 16, 2018, the Court of Appeals (CA) required defendants to file Appellant's Brief within 45 days from receipt thereof. On April 20, 2018 and May 7, 2018, PHC received Lokin and Araneta's Appellant's Briefs, respectively. On June 5, 2018, PHC filed its Appellee's Brief. On September 18, 2018, PHC filed a Compliance submitting proof of service of its Appellee's Brief to defendants in accordance with the CA's Resolution dated July 2, 2018. On April 25, 2019, the CA issued a Decision granting Araneta's appeal. On May 30, 2019, PHC filed its Motion for Reconsideration of the said Decision. On July 11, 2019, Araneta filed its Comment thereto, in accordance with the Resolution dated June 6, 2019 issued by the CA to file the same.

- Criminal Complaint Against Brodett and Bankwise Officers Using Spurious Bank Accounts for Parent Company's Deposits

On May 8, 2008, the Parent Company filed a criminal complaint for estafa for misappropriation of corporate funds against Brodett, a former director of the Parent Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of P66.8 million was processed through spurious bank accounts and involved the co-mingling and transfer of funds between the Parent Company's accounts and certain personal accounts.

On June 14, 2016, an Order was issued allowing Brodett to present his defense only with respect to the P27.0 million and P9.3 million which allegedly came from PHC funds and not in the whole amount of P66.8 million. On July 1, 2016, a Motion for Reconsideration of the said Order was filed by the Private Prosecutor (Parent Company). On August 30, 2016, the Private Prosecutor (Parent Company) filed a Reply to Brodett's Comment/Opposition dated August 25, 2016. The presentation of defense evidence has already been concluded. On June 5, 2018, the accused filed their Formal Offer of Evidence, which was partially admitted by the Court on August 28, 2018.

- Criminal Complaint Against Araneta for Non-Return of PHC Deposits

A criminal complaint for estafa was filed against Araneta for money market placements amounting to P65.0 million which allegedly were not returned to the Parent Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is still pending decision with the DOJ as at report date.

- Criminal Complaint Against Locsin and Andal for Alleged Excessive Amounts of Salaries and Bonuses

On September 11, 2006, the Parent Company filed a complaint against Locsin and Andal with the office of the Ombudsman seeking for the latter to file criminal and administrative charges against the accused for alleged excessive amounts of salaries and bonuses from the Parent Company for their personal gain, and in clear violation of Memorandum Circulars which limit the salary received by public officials. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practices Act on December 7, 2011 against both Andal and Locsin with the Sandiganbayan for receiving a total of P15.0 million and P11.0 million, respectively, from 2003 to 2005, from the Parent Company.

Due to the need for the prosecution's witness to identify, and testify on, voluminous accounting records showing the guilt of the accused, the Court ordered the parties to enter into a stipulation of facts to expedite the proceedings. Andal, through counsel, stipulated on the facts propounded by the Prosecution. During the hearing on September 28, 2017, Locsin, through counsel, asked for time to study the prosecution's documents. On July 17, 2018, the prosecution's witness completed her testimony.

The prosecution has already filed its Formal Offer of Evidence and rested its case. On November 29, 2018, accused Andal with leave of court filed a Demurrer to Evidence while accused Locsin filed his own on December 3, 2018. On July 5, 2019, the Sandiganbayan issued a Resolution which a) granted the accused Demurrers to Evidence; b) dismissed the cases against them; c) lifted and set aside the Hold Departure Orders against them; and d) ordered released the bail bonds they posted, if any. On July 30, 2019, the Private Prosecution filed its Motion for Reconsideration of the said Resolution on the civil aspect of the case, which was denied in a Resolution dated October 25, 2019. The Parent Company decided not to pursue the case with the Supreme Court.

- Criminal Complaint Against Concepcion A. Poblador

A criminal complaint for estafa was filed against Ms. Poblador for allegedly receiving cash advances amounting to P14.5 million, which she failed to account for and return to the Parent Company after formal demands. On February 9, 2009, the DOJ issued a Resolution directing the filing of an Information against Ms. Poblador only for P0.2 million.

On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of P16.7 million. On January 10, 2014, the Parent Company received a Petition for Certiorari filed by Ms. Poblador seeking the reversal of the Resolution directing the filing of an Information for estafa against her for P0.2 million. On August 29, 2014, the two Petitions were consolidated.

On April 26, 2017, subsequent to the filing of the parties' respective Memoranda, the CA issued a Resolution requiring Ms. Poblador to file a Rejoinder to the Parent Company's Reply (to the Memorandum of Poblador). In the meantime, the case was returned to "Completion State" pending the filing of the Rejoinder. Poblador filed her Rejoinder on June 1, 2017 under a Motion to Admit Attached Rejoinder.

On November 29, 2017, Poblador filed a Manifestation adopting her previous Memorandum dated December 22, 2014 as her compliance with the Resolution dated October 11, 2017. The Office of the Solicitor General filed a Manifestation and Motion on November 24, 2017 asking that the DOJ Secretary be excused from filing a Memorandum.

Based on the Resolution of the Court requiring the parties anew to file their respective Memorandum, PHC's (2nd) Memorandum was filed on December 13, 2017, within the extended period prayed for.

On June 14, 2019, the CA issued a Decision denying both PHC's and Ms. Poblador's Petitions for Certiorari. On July 5 and 11, 2019, both parties filed their respective Motions for Reconsideration. On July 24, 2019, PHC filed its Comment to Ms. Poblador's Motion for Reconsideration. Ms. Poblador is yet to file her Comment to PHC's Comment.

- Inspection of Books Cases

Several cases for inspection of books were filed against the Corporation by Atty. Victor V. Africa. In 2018, Atty. Africa, with the concurrence of the Corporation, withdrew all the cases and the Corporation acknowledges the goodwill of Atty. Africa in doing so. Atty. Africa has since sold all his 5,500 common shares in the Corporation.

The Group is also involved in other litigations, claims and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the Group.

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

Key Performance Indicators (KPI)

The Company's KPI for the quarters ended September 30, 2019 and 2018 are as follows :

Performance Indicator	Formula	September 30,	September 30,
		2019	2018
<i>Liquidity</i>			
Current Ratio	Current Assets	38.05:1	30.57:1
	Current Liabilities		
<i>Leverage</i>			
Debt to Equity Ratio	Total Liabilities	0.02:1	0.03:1
	Total Equity		
Asset to Equity Ratio	Total Assets	1.02:1	1.03:1
	Total Equity		
<i>Profitability</i>			
Net Profit Ratio	Net Profit	0.54:1	2.54:1
	Revenue		
Return on Assets	Net Income	1.61%	6.41%
	Total Assets		
Return on Equity	Net Income	1.64%	6.58%
	Total Equity		

Liquidity

The Company's current assets of P439,780,759 as of September 30, 2019 and current liabilities of P11,555,667 resulted in liquidity ratio of 38.05:1 compared to the same quarter of previous year wherein the ratio was lower at 30.57:1. The increase was due to acquisition of various money market placements and increase in the interest income received from these investments.

Leverage

The Group's Debt to Equity ratio and Asset to Equity Ratio both decreased by 0.01 from September 30, 2018 to September 30, 2019. This implies that the Group is financially stable and that it has more than enough assets to cover its liabilities.

Profitability

Profitability ratios for September 30, 2019 are lower than that of the previous quarter. The decrease was mainly due to the gain on sale of investment property in 2018 amounting to P99,112,396. The significance of this amount has caused the profitability ratios to increase in 2018 and therefore decrease in 2019.

Results of Operations

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Brodett-Araneta-Lokin-Lochin-Poblador Group, who controlled the Corporation from 2000 to December 2007, present Management assumed control in December 2007.

Due to the hostile take-over, the Brodett Group withdrew the corporate funds, transferred corporate property and held the corporate funds. Thus, for the period between December 2007 and May 2010, present Management has not been able to focus on growing the business and operations of the Corporation as all efforts were geared towards recovering corporate assets.

Presently, the Company's investments remain in money market placements and other liquid financial instruments.

The following table shows the results of Philcomsat Holdings Corporation's operations for the quarter ended September 30, 2019 and 2018:

Results of Operations	For the quarter ended			YoY Change (%)
	September 30, 2019	September 30, 2018	Increase/ (Decrease)	
Revenues	13,801,040.00	7,548,380.00	6,252,660.00	82.83%
Expenses	6,111,306.00	6,382,767.00	(271,461.00)	(4.25%)
Income(loss) from operations	7,689,734	1,165,613	6,524,121	559.72%

The Group recorded higher income from operations for the quarter ended September 30, 2019 than the same period in 2018. This is due to higher interest income brought about by increasing interest rates, and increase in the Group's money market placements. Expenses decreased due to the decrease in depreciation expense brought about by the sale of investment property

Discussion and Analysis of Material Events and Uncertainties

- | | |
|---|--|
| i. 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 Parent Company filed various cases against its former directors to recover assets they allegedly withdrawn or misappropriated which, if won, will result in the liquidity position of the Group to increase in a material way. |
| ii. 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 |
| iii. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | None |
| iv. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described. | None |
| v. 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. | None |
| vi. Any significant elements of income or loss that did not arise from the registrant's continuing operations | None |
| vii. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item. | The volatility of market prices of the Group's financial assets measured at fair value through other comprehensive income. |
| viii. Any seasonal aspects that had a material effect on the financial condition or results of operations. | None |

List of Top 20 Stockholders as of September 30, 2019

Rank	Name	Number of Common Shares
1	Philippine Communications Satellite Corp.	796,595,690
2	Somera, Jr., Prudencio C.	100,000,100
3	Laperal, Oliverio G.	49,556,500
4	PCD Nominee Corporation (Filipino)	16,274,534
5	RCBC T/A 236-235 A/C Oliverio Laperal	4,802,413
6	Villarama, Jhoanna I.	4,000,000
7	Marino Olondriz Y Cia (Hold, per PSE)	2,985,600
8	Ozamiz, Jose Ma.	2,700,000
9	RCBC T/A 36-250 A/C Oliverio Laperal	2,689,000
10	Phil. Oil Development Corp.	1,500,000
11	Imperial Resources, Inc.	800,000
12	Laperal, Jr., Oliverio	776,743
13	Benjamin Co Ca & Co., Inc.	504,300
14	Concepcion, Regina L.	481,000
15	Laperal, Rosa Maria L.	448,000
16	Laperal, Alexandra L.	440,000
17	Cheng, Agrifino T.	410,000
18	Ansaldo, Godinez & Co., Inc.	332,550
19	Dacillo, Nenita	320,000
20	Bridgestone Securities Corporation	307,425

As of September 30, 2019, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:

Katrina C. Ponce Enrile	Director and Chair/EVP
Daniel C. Gutierrez	Director
Ramon P. Jacinto	Director and President/CEO
Erlinda I. Bildner	Director and CFO/Treasurer
Marietta K. Ilusorio	Director
Pablo L. Lobregat	Director
Prudencio C. Somera	Director
Santiago J. Ranada	Director
Jose Ramon C. Ozamiz	Director
Julie Y. Daza	Director
Oliverio L. Laperal, Jr.	Director
Victoria C. De los Reyes	Corporate Secretary
John Benedict L. Sioson	Assistant Corporate Secretary/Corporate Information Officer
Manolita L. Morales	Assistant Treasurer
Atty. Lorna P. Kapunan	Chief Legal Counsel and Chief Compliance Officer
Bernadette Y. Blanco	Investor Relations Officer/Assistant Compliance Officer