

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
Mar 31, 2017
2. SEC Identification Number
22401
3. BIR Tax Identification No.
000491007
4. Exact name of issuer as specified in its charter
PRIME MEDIA HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
16TH FLOOR CITIBANK TOWER, 8741 PASEO DE ROXAS MAKATI CITY
Postal Code
1227
8. Issuer's telephone number, including area code
831-4479
9. Former name or former address, and former fiscal year, if changed since last report
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	700,298,616
Preferred	14,366,260
11. Are any or all of registrant's securities listed on a Stock Exchange?
☒ Yes ☐ No
 If yes, state the name of such stock exchange and the classes of securities listed therein:
 Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Prime Media Holdings, Inc. PRIM

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

For the period ended	Mar 31, 2017
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2017	Dec 31, 2016
Current Assets	46,819,696	48,027,000
Total Assets	115,247,606	116,459,000
Current Liabilities	198,935,412	193,160,882
Total Liabilities	207,969,912	202,195,382
Retained Earnings/(Deficit)	-2,922,349,051	-2,915,362,792
Stockholders' Equity	-92,722,307	-85,736,047
Stockholders' Equity - Parent	-	-
Book Value per Share	-0.15	-0.09

Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	0	0	0	0
Other Revenue	1,000	31,438	1,000	31,438
Gross Revenue	1,000	31,438	1,000	31,438
Operating Expense	6,987,261	7,213,596	6,987,261	7,213,596
Other Expense	0	0	0	0
Gross Expense	6,987,261	7,213,596	6,987,261	7,213,596
Net Income/(Loss) Before Tax	-6,986,261	-7,182,157	-6,986,261	-7,182,157
Income Tax Expense	0	0	0	0
Net Income/(Loss) After Tax	-6,986,261	-7,182,157	-6,986,261	-7,182,157
Net Income Attributable to Parent Equity Holder	0	0	0	0
Earnings/(Loss) Per Share (Basic)	-0.01	-0.01	-0.01	-0.01
Earnings/(Loss) Per Share (Diluted)	-0.01	-0.01	-0.01	-0.01

Other Relevant Information

none

Filed on behalf by:

Name	Joanna Manzano
Designation	Junior Compliance Officer

COVER SHEET

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S.E.C. Registration Number

P	R	I	M	E		M	E	D	I	A		H	O	L	D	I	N	G	S	,		I	N	C	.			
(f	o	r	m	e	r	l	y		F	i	r	s	t		e	-	B	a	n	k		C	o	r	p	.)

(Company's Full Name)

1	6	t	h		F	l	o	o	r		C	i	t	i	b	a	n	k		T	o	w	e	r	,
8	7	4	1		P	a	s	e	o		d	e		R	o	x	a	s	,						
M	a	k	a	t	i		C	i	t	y															

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1	2	3	1
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Month Day
Fiscal Year

SEC 17-Q

FORM TYPE

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Month Day
Annual Meeting

N/A

Secondary License Type, If Applicable

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Amended Articles
Number/Section

Total Amount of Borrowings

1,608

Total No. of
Stockholders

nil

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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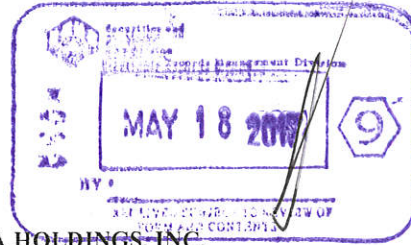
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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER



1. For the quarterly period ended MARCH 31, 2017
2. Commission identification number 22401
3. BIR Tax Identification No. 000-491-007
4. Exact name of issuer as specified in its charter PRIME MEDIA HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization METRO MANILA
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
16TH FLOOR CITIBANK TOWER, 8741 PASEO DE ROXAS MAKATI CITY 1227
8. Issuer's telephone number, including area code 831-4479
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock, P1 par value	700,298,616
Preferred Stock, P1 par value	14,366,260

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

Yes ☒ No ☐

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 ☐

Table of Contents

PART I – FINANCIAL INFORMATION	2
Item 1. Financial Statements	2
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation	3
FINANCIAL CONDITION AND RESULTS OF OPERATION	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF CASH FLOWS	4
Horizontal and Vertical Analysis:	5
FINANCIAL INDICATORS	6
PART II - OTHER INFORMATION	7
PART III - FINANCIAL SOUNDNESS INDICATORS	7
SIGNATURES	8

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited Financial Statement of Prime Media Holdings, Inc. as of March 31, 2017 and for three months period ended March 31, 2017 and 2016 with comparative audited figure as of December 31, 2016 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Balance Sheet as of March 31, 2017 and December 31, 2016

	Mar. 31, 2017 Unaudited	Dec. 31, 2016 Audited	March 31, 2017 vs. Dec. 31, 2016	
	(P'000)	(P'000)	Amount Increase (decrease) (P'000)	Percentage Increase (decrease)
Current assets	P46,820	P48,027	(P1,207)	(2.51%)
Noncurrent assets	68,428	68,432	(4)	(0.01%)
Total Assets	P115,248	P116,459	(P1,211)	(1.04%)
Current Liabilities	P198,935	P193,161	P5,774	2.99%
Noncurrent Liability	9,035	9,035	—	—
	207,970	202,196	5,774	2.99%
Stockholders' Equity	(92,722)	(85,737)	(6,985)	8.15%
Total Liabilities and Stockholders' Equity	P115,248	P116,459	(P1,211)	(1.04%)

Summary of Income Statement for the three months period ended March 31, 2017 and March 31, 2016.

	For three months ending March 31,	
	2017 (P'000)	2016 (P'000)
Revenues	P1	P31
Expenses	6,288	7,213
Loss before tax	(6,287)	(7,182)
Provision for income tax	—	—
Total comprehensive loss	(P6,287)	(P7,182)

Summary of Statement of Cash Flows for the three months period ending March 31, 2017 and March 31, 2016.

	For three months ending March 31,	
	2017 (P'000)	2016 (P'000)
Cash (used) provided in operating activities	₱38,876	(₱45,114)
Cash used in investing activities	—	—
Cash used in financing activities	—	—
Net decrease in cash	₱38,876	(₱45,114)
Cash at beginning	2,702	73,225
Cash at end of the quarter	₱41,578	₱28,111

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

The company has not been actively operating other than the activities connected with the transfer of the Company's remaining assets to the Philippine Depositary Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP). The Company also continues to pursue the cleanup of its books and the settlement of its remaining obligations to pave the way for possible additional capital infusion from third party investors.

FINANCIAL CONDITION AND RESULTS OF OPERATION

Three months ended March 31, 2017 compared with three months ended March 31, 2016

The results of operation for the three months ended March 31, 2017 and March 31, 2016 were net loss of ₱6.99 million and ₱7.18 million, respectively or equivalent to 0.3% decrease.

Significant changes in the income accounts for the three months ended March 31, 2017 versus the same period last year are as follows:

- Interest income decreased by ₱0.03 million or equivalent to 96.82% due to lower bank balance this period than same period last year.
- Professional fee increase by ₱0.10 million or equivalent to 19%. The increase pertains to payment of audit and legal fees.
- Other Services decreased by ₱0.12 million or 25% is attributable in last year hiring of a courier company to facilitate the mailing to notice stockholders on annual meeting.
- Rent expense for the period is ₱0.032 million as compared to ₱0.317 million last year, as decreased of ₱0.285 million or equivalent to 90%. The decrease is mainly due to the lease contract was expired and not renewed this period.
- There were recorded penalties and losses for the period amount to ₱0.24 as compared to nil last year of the same period equivalent to 100% increase.
- Taxes and licenses increased by ₱0.016 million or equivalent to 75% mainly due to higher assessment of business taxes this period.

STATEMENT OF FINANCIAL POSITION

The significant changes in the Statement of Financial Position accounts during the three months ended March 31, 2017 versus the December 31, 2016 level are as follows:

Total assets stood at ₱115.25 million which is ₱1.21 million or 1.04% lower than the December 31, 2016 level. Significant changes were mainly due to the following:

- Cash increase by ₱38.88 million or 1,438.79% from ₱2.70 million as of December 31, 2016 to ₱41.58 million as of March 31, 2017. The increased pertains to the collection of advances to parent company (RYM) of ₱40.00 million.
- The decreased on Computer equipment is due to the accumulated depreciation.

The significant change on Liabilities during this interim period is the increased in accrued expense was due to the accrual of management fee amounting to ₱5.77 million to RYM Business Corporation.

In April 2016 34.19 million shares were converted to 1.37 million common shares at a rate of 25:1, which resulted to a decreased in preferred stock by ₱34.19 million and increase in common stock by ₱1.37 million and increased in additional paid capital in excess of par by ₱32.82 million.

The company has capital deficiency of ₱92.72 million and ₱85.74 million as of March 31, 2017 and December 31, 2016 respectively. An increased in capital deficiency of ₱6.99 million or equivalent to 8.15% pertains to net loss for the period.

STATEMENT OF CASH FLOWS

The net cash provided in operating activities amounted to ₱38.88 million for the three months ended March 31, 2017 as compared to the same period last year amounted to ₱45.11 million. The increase in cash from operating activities is the net result of the following:

- Net loss generated during the three months period.
- Collection of due from parent company.
- Increase in accrued expenses.

The net effect of the foregoing operating activities, is an increase of ₱38.88 million and a balance of ₱41.58 million in cash as of March 31, 2017 as compared to a decrease of ₱45.11 million and a balance of ₱28.11 million as of March 31, 2016.

Horizontal and Vertical Analysis:

	Unaudited March 31, 2017	Audited 2016	Increase (Decrease) Amount Percentage	
ASSETS				
Current Assets				
Cash	₱41,578	₱2,702	₱38,876	1438.63%
Receivable	4,433	4,516	(83)	(1.84)%
Due from Parent Company	—	40,000	(40,000)	(100.00)%
Other current assets	809	809	—	—
Total Current Assets	46,820	48,027	(1,207)	(2.51)%
Noncurrent Assets				
Investment Property	68,135	68,135	—	—
Computer Equipment (Net)	52	57	(5)	(7.5)%
Available-for-sale investment	240	240	—	—
Total Noncurrent Assets	68,427	68,432	(5)	(0.4)%
	₱115,247	₱116,459	(₱1,212)	20.92%
LIABILITIES AND EQUITY				
Current Liabilities				
Accrued expenses and other current liabilities	₱198,935	₱193,161	₱5,774	2.99%
Noncurrent Liabilities				
Deferred tax liability	9,034	9,034	—	—
	207,969	202,195	5,774	2.86%
Equity				
Preferred Capital stock	14,366	14,366	—	—
Common Capital stock	700,299	700,299	—	—
Additional paid-in capital	2,114,922	2,114,922	—	—
Net unrealized gain on AFSI	40	50	(10)	20.00%
Deficit	(2,922,349)	(2,915,363)	(6,986)	(0.24)%
Total Equity	(92,722)	(85,736)	(6,986)	8.15%
	₱115,247	₱116,459	(₱1,212)	(1.04)%

FINANCIAL INDICATORS

	As of March 31, 2017	As of March 31, 2016
Net loss	6,986,260	7,182,157
Quick assets	6,010,791	32,477,158
Current assets	46,819,696	70,620,724
Total assets	115,247,606	108,960,794
Current liabilities	198,935,412	195,347,813
Total liabilities	207,969,912	195,347,813
Stockholders' equity	(92,722,307)	(86,387,019)
Number of common shares outstanding	700,298,616	698,930,906

Current Ratio ^{1/}	0.24:1.00	0.36:1.00
Debt to Equity Ratio ^{2/}	1.73:1.00	1.79:1.00
Asset to Equity Ratio ^{3/}	(2.15):1.00	(2.26):1.00
Return on Assets ^{4/}	(0.04)	(0.06)
Return on Equity ^{5/}	(0.05)	(0.09)
Book Value per share	(0.15) per share	(0.19) per share

1/ Current assets divided by current liabilities

2/ Total liabilities divided by equity

3/ Total assets divided by equity

4/ Net income divided by average assets

5/ Net income divided by average equity

OTHER INFORMATION

- a. There are no known trends, demands, commitments, events or uncertainties that have a material impact on the Company's liquidity.
- b. There are no events that will trigger direct or contingent financial obligation that is material to the Company.
- c. There are no material off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities, or other persons were created during the interim period.
- d. There are no material commitments for capital expenditures during the interim period.
- e. There are no known trends, events or uncertainties that have or are reasonably expected to have a material impact on net sales/ revenues/ income from continuing operations.
- f. There is no significant income or expense that did not arise from the Company's continuing operations.
- g. There is no seasonal aspect that had a material effect on the financial condition or results of operation.

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.

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio

Total Current Assets/ Total Current Liabilities = 0.24:1

b. Quick Ratio

Quick asset / Total Current Liabilities = 0.03:1

Solvency Ratio

a. Debt Ratio

Total liabilities / Total assets = 1.73:1

b. Debt to Equity Ratio

Total liabilities / Shareholder's Equity = -2.15:1

Profitability Ratio

a. Return on Equity Ratio

Net loss / Average shareholder's equity = -0.05:1

b. Return on Assets

Net loss / Average Total assets = -0.04:1

c. Asset to Equity Ratio:

Total Assets / Ave. Stockholders' Equity = -1.24:1

d. Asset Turnover

Revenue/Total Assets = 0.00

SIGNATURES

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

Issuer: **PRIME MEDIA HOLDINGS INC.**

Date: May 18, 2017

By:

Signature:



ROLANDO S. SANTOS

Title:

Treasurer

Signature:



LESTER LAURENCE S. BAGUEC

Title:

Accountant

PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)
STATEMENTS OF FINANCIAL POSITION

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash	4	₱41,577,525	₱2,701,963
Receivables	5	4,433,266	4,516,267
Due from Parent Company	13	—	40,000,000
Other current assets		808,905	808,905
Total Current Assets		46,819,696	48,027,135
Noncurrent Assets			
Investment properties	6	68,135,000	68,135,000
Available-for-sale (AFS) financial asset	7	240,000	240,000
Computer equipment	8	52,910	57,200
Total Noncurrent Assets		68,427,910	68,432,200
		₱115,247,606	₱116,459,335
LIABILITY AND CAPITAL DEFICIENCY			
Current Liabilities			
Accrued expenses and other current liabilities	9	₱198,935,412	₱193,160,882
Noncurrent Liability			
Deferred tax liability	12	9,034,500	9,034,500
		207,969,912	202,195,382
Capital Deficiency			
Capital stock	10	714,664,876	714,664,876
Additional paid-in capital		2,114,921,869	2,114,921,869
Deficit		(2,922,349,051)	(2,915,362,792)
Cumulative unrealized gain on AFS financial assets	7	40,000	40,000
Total Capital Deficiency		(92,722,306)	(85,736,047)
		₱115,247,606	₱116,459,335

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF COMPREHENSIVE INCOME

		Quarters Ended March 31	
	Note	2017	2016
INCOME			
Interest income	4	₱1,000	₱31,438
EXPENSES			
Management fee	13	5,773,196	5,773,196
Professional fees		659,953	555,079
Outside services		384,152	512,047
Taxes and licenses		37,766	21,637
Rent	11	32,067	317,938
Penalties		22,400	—
Depreciation	8	4,290	4,290
Others		73,437	29,409
		6,987,261	7,213,596
LOSS		(₱6,986,261)	(₱7,182,157)
Basic and Diluted Loss Per Share	15	(₱0.01)	(₱0.01)

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF CHANGES IN EQUITY

		Quarters Ended March 31	
	Note	2017	2016
CAPITAL STOCK	10		
Common stock - ₱1 par value			
Subscribed:		₱700,298,616	₱698,930,906
Preferred stock - ₱1 par value		14,366,260	48,559,000
		714,664,876	747,489,906
ADDITIONAL PAID-IN CAPITAL		2,114,921,869	2,082,096,839
DEFICIT			
Balance at beginning of year, as previously reported		(2,915,362,792)	(2,908,841,606)
Net loss		(6,986,261)	(7,182,157)
Balance at end of quarter		(2,922,349,051)	(2,916,022,763)
CUMULATIVE UNREALIZED GAIN (LOSS) ON AFS FINANCIAL ASSETS	7	40,000	50,000
		(₱92,722,307)	(₱86,387,019)

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF CASH FLOWS

		Quarters Ended March 31	
	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(P6,986,261)	(P7,182,158)
Adjustments for:			
Interest income	4	(1,000)	(31,438)
Depreciation	8	4,290	4,290
Operating loss before working capital changes		(6,982,971)	(7,209,306)
Decrease (increase) in:			
Receivables		83,001	18,501
Due from Parent Company		40,000,000	(37,313,587)
Other current assets		—	21,074
Increase (decrease) in:			
Decrease in accrued expenses and other current liabilities		5,774,532	(641,272)
Net cash provided (used) for operations		38,874,562	(45,145,664)
Interest received		1,000	31,438
NET INCREASE (DECREASE) IN CASH		38,875,562	(45,114,226)
CASH AT BEGINNING OF QUARTER		2,701,963	73,225,018
CASH AT END OF QUARTER		P41,577,525	P28,110,792

See accompanying Notes to Financial Statements.

PRIME MEDIA HOLDINGS, INC.
(A Subsidiary of RYM Business Management Corp.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Prime Media Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 6, 1963. On October 1, 2003, the SEC approved the amendment of the Company's articles of incorporation, changing its primary purpose from a development bank to a holding company and to hold investments in the media industry. On March 4, 2013, the SEC approved the extension of the Company's corporate life for another 50 years.

On July 9, 1964, the Philippine Stock Exchange, Inc. approved the public listing of the Company's shares of stock. As at December 31, 2016 and 2015, 663,713,458 Company shares are publicly listed.

On September 12, 2002, the Company's assets and liabilities arising from its development bank operations were transferred to and assumed by Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2016 and 2015, the Company has liabilities arising from the MOA which pertain mainly to the estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities (see Note 9).

As at December 31, 2015, the Company's shareholders are RYM Business Management Corp. (RYM or Parent Company) (43%), Metro Tagaytay Land Company, Inc. (MTLCI) (31%) and Neo Oracle Holdings, Inc. (NOHI) (13%). In 2016, RYM acquired the common stock owned by MTLCI and NOHI but disposed of 21% of its ownership shares. As at December 31, 2016, RYM effectively owns 66% of the Company's common stock.

The financial statements of the Company as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were approved and authorized for issuance by the Board of Directors (BOD) on April 10, 2017.

Status of Operations

The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its development bank operation to BDO and PDIC. Thus, the Company has continued to incur losses resulting to a capital deficiency of ₱85.7 million and ₱59.5 million as at December 31, 2016 and 2015, respectively. The stockholders, however, have continued to provide the necessary financial support to sustain Company operations. The stockholders converted their preferred stock of ₱34.2 million into common stock in 2016 and converted their advances of ₱600.5 million to additional capital in 2014 and infused capital aggregating ₱179.0 million in 2014 and 2013 to reduce the capital deficiency. The Company is also considering to implement a quasi-reorganization to reduce the capital deficiency.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Measurement Bases

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All values represent absolute amounts except otherwise stated.

The financial statements have been prepared on a historical cost basis, except for its investment properties and AFS financial assets which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 16, Financial Risk Management Objectives and Policies.

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 Company adopted effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

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

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees’ statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

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

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition of Financial Instruments. Financial assets and liabilities 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 fair value through profit and loss (FVPL), includes transaction cost.

Classification of Financial Instruments. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at December 31, 2016 and 2015, the Company does not have financial assets and liabilities at FVPL and HTM investments.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets is subsequently measured at fair value. Changes in fair value are recognized as other comprehensive income and the accumulated balance is included in “Cumulative unrealized gain (loss) on AFS financial assets” within equity. These changes in fair value are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is reclassified to profit or loss.

The Company classified its proprietary membership shares as AFS financial assets as at December 31, 2016 and 2015.

“Day 1” Differences. 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 Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the statement of comprehensive income. In cases where there is no observable data on inception, the Company deemed 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 Company determines the appropriate method of recognizing the “Day 1” difference.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables 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 any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

As at December 31, 2016 and 2015, this category includes cash in banks, receivables (excluding advances to officers, employees and service providers) and due from Parent Company.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

As at December 31, 2016 and 2015, this category includes accrued expenses and other current liabilities (excluding statutory payables).

Derecognition of Financial Assets and 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 by the Company when:

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the

same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

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 Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the separate 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 liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the statements of financial position.

Impairment of Financial Assets

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

The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity investments classified as AFS financial assets, impairment would include

a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the statements of changes in equity.

Other Current Assets

Other current assets include creditable withholding taxes (CWT) and prepayments.

CWT. CWT are amounts withheld from income subject to expanded withholding taxes. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments represent expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than twelve months after the reporting date are classified as other current assets. Otherwise, these are classified as other noncurrent assets.

Investment Properties

Investment properties, accounted for under the fair value model, are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at acquisition cost, including transaction costs. Subsequently, investment properties are stated at fair value as determined by independent appraisers. The carrying amounts recognized in the statements of financial position reflect the prevailing market conditions at the end of each reporting period.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in the statements of comprehensive income.

No depreciation charges are recognized on investment properties accounted for under the fair value method.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Computer Equipment

Computer equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of computer equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the computer equipment.

Expenditures incurred after the computer equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year 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 computer equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of computer equipment. The cost of replacing a component of an item of computer equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of computer equipment have different useful lives, they are accounted for as separate items (major components) of computer equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the computer equipment of 5 years.

The estimated useful lives and method for depreciation are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from computer equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Impairment of Investment Properties and Computer Equipment

The Company assesses at each reporting date whether there is an indication that investment properties and computer equipment may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, investment properties and computer equipment are written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

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. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are treated as deduction from equity, net of tax.

Additional Paid-in Capital (APIC). Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC.

Deficit. Deficit represents the accumulated net income or loss, less any dividends declared.

Revenue Recognition

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

Rental. Rental income is recognized using the straight-line method over the term of the lease.

Interest Income. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Recovery of Assets Written-off. Income from other sources is recognized when earned.

Expense Recognition

Expenses constitute cost of administering the business. These costs are expensed upon receipt of goods, utilization of services, or when the expense is incurred.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date whether the fulfilment 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 inception of the lease only if one of the following applies:

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

Where 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) and at the date of renewal or extension period for scenario (b).

Operating Lease - Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Operating Lease - Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively 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. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any 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 and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each 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 rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as other comprehensive income.

Deferred tax assets and 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.

Loss Per Share

Basic loss per share is computed by dividing net loss for the year attributable to common stockholders by the weighted average number of common stock outstanding during the year, with retroactive adjustments for any stock dividends declared or stock split.

Diluted loss per share is calculated by adjusting the weighted average number of common stock outstanding to assume conversion of all dilutive potential common stock.

Where the loss per share effect of potential dilutive common stock would be anti-dilutive, basic and diluted loss per share are stated at the same amount.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingencies

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

Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events) are reflected in the financial statements when material. Post year-end events that are non-adjusting are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

PFRS requires management to make judgments and estimates and assumptions that affect the amounts reported in the financial statements. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the

Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

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

Assessing the Company's Ability to Continue as a Going Concern. The Company has incurred continuous losses resulting in a capital deficiency of ₱85.7 million, ₱59.5 million and ₱28.9 million as at December 31, 2016, 2015, and 2014, respectively. Management believes this trend to continue for the twelve months after reporting date. As discussed in Note 1, the stockholders, provide continuing necessary financial support to the Company while new business opportunities are not yet available. Based on this, the financial statements are prepared on a going concern basis of accounting.

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

The Company classified its proprietary membership shares as an AFS financial assets (see Note 7).

Accounting for Lease Commitments: Company as a Lessor. Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership of the assets held for lease are retained by the Company. Lease contracts where the Company retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Company, as a lessor, has entered into property leases where it has determined that it retains all the significant risks and benefits of ownership of those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to nil and ₱0.3 million in March 31, 2017 and 2016, respectively.

Accounting for Lease Commitments: Company as a Lessee. The Company, as a lessee, has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Rent expense amounted to nil and ₱0.3 million in March 31, 2017 and 2016, respectively.

Evaluating Contingencies. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that eventual liabilities under these lawsuits or claims, if any, will not have a material effect of the Company's financial statements.

Estimates and Assumptions

The key estimates concerning the future and other key sources of estimation uncertainty at the reporting date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Determining Fair Value of Investment Properties. The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as

comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others. Although this input is subjective, management considers that the overall valuation would not be materially affected by reasonable and possible alternative assumptions.

Fair market value is defined as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

The appraiser also considered the concept of value in use which is based on the highest and most profitable continuous use or that which may reasonably be expected to produce the greatest net return over a given period of time.

Gain on fair value changes recognized in the statements of comprehensive income amounted to ₱1.9 million in December 31, 2016. Carrying value of investment properties amounted to ₱68.1 million in December 31, 2016 (see Note 6).

Estimating Allowance for Impairment Losses on Receivables. The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behaviour and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

No impairment losses of receivables was recognized in 2016. Allowance for impairment loss amounted ₱60.3 million as at December 31, 2016. The carrying amount of receivables amounted to ₱4.4 million as at December 31, 2016 (see Note 5).

Assessing Impairment of Investment Properties and Computer Equipment. The Company assesses impairment on investment properties and computer equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

No impairment loss was recognized in 2016.

The carrying amount of the Company's investment properties and computer equipment are as follows:

	Note	March 31, 2017	December 31, 2016
Investment properties	6	₱68,135,000	₱68,135,000
Computer equipment	8	52,910	57,200
		₱68,187,910	₱68,192,200

Assessing Impairment of AFS Financial Assets. The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal

volatility in share price for quoted instruments and the future cash flows and the discount factors for unquoted instruments.

No impairment loss was recognized in 2016. The carrying value of AFS financial assets amounted to P0.2 million as at December 31, 2016 (see Note 7).

Assessing Realizability of Deferred Tax Assets. The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount 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.

The Company's unrecognized deferred tax assets amounted to P36.2 million as at December 31, 2016, respectively. Management believes that there will be no sufficient future taxable profits against which deferred tax assets can be utilized.

4. Cash

This account consists of:

	March 31, 2017	December 31, 2016
Cash on hand	P5,277	P5,277
Cash in banks	41,572,248	2,696,686
	P41,577,525	P2,701,963

Cash in banks earn interest at bank deposit rates. Interest income from cash in banks amounted to P1,000 and P44,054 in 2016 and 2015, respectively.

5. Receivables

This account consists of:

	Note	March 31, 2017	December 31, 2016
Loans receivable		P62,277,740	P62,277,740
Advances to officers, employees and service providers		2,123,334	2,134,335
Rent receivable	11	309,932	381,932
		64,710,938	64,794,007
Less allowance for impairment losses		60,277,740	60,277,740
		P4,433,266	P4,516,267

Loans receivable are related to the Company's previous bank operations. The unimpaired balance of loans receivable amounting to P2.0 million is left under an escrow fund as at March 31, 2017 and December 31, 2016.

Advances to officers, employees and service providers represent unliquidated, noninterest-bearing advances for processing of the transfer of title of properties to PDIC and BDO. These are liquidated upon the accomplishment of the purposes for which the advances were granted.

The Company collected accounts previously written-off amounting to nil and P0.7 million in March 31, 2017 and December 2016.

6. Investment Properties

This account represents parcels of commercial land located in Legazpi City, Albay, which are held for capital appreciation.

On December 31, 2016, the Company changed its measurement basis on investment properties from cost model to fair value model.

Fair Value Measurement

Investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report is at April 3, 2017. The fair value of the land amounted to ₱68.1 million as at December 31, 2016. The fair value was determined based on valuation performed by independent and professionally qualified appraisers with a report dated April 3, 2017. The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

The composition of investment properties follows:

	March 31, 2017	December 31, 2016
Cost	₱38,020,000	₱38,020,000
Cumulative gain on fair value changes:		
Balance at beginning of year	30,115,000	28,214,000
Fair value change	—	1,901,000
Balance at end of year	30,115,000	30,115,000
	₱68,135,000	₱68,135,000

The appraised value of the investment properties were arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. This requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the vicinity of the subject property. The comparison was premised on the factors of location, size, and shape of the lot, time element and others.

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element. The price per square meter used for valuation ranges from ₱15,000 to ₱48,246 as at December 31, 2016.

Value adjustments: adjustments are made to bring the comparative values in approximation to the Investment property taking into account the location and size. Value adjustment used is 30%-40% as at December 31, 2016.

Average price index was arrived at ₱35,000 to ₱37,000 per sq. m as at December 31, 2016.

7. AFS Financial Assets

Movements of this account follow:

	March 31, 2017	December 31, 2016
Cost	₱200,000	₱200,000
Unrealized gain (loss) on fair value changes		
Balance at beginning of year	40,000	50,000
Fair value change	—	(10,000)
Balance at end of year	40,000	40,000
	₱240,000	₱240,000

8. Computer Equipment

Movements of this account follow:

	March 31, 2017	December 31, 2016
Cost		
Balance at beginning and end of year	₱85,800	₱85,800
Additions	—	—
Balance at end of year	85,800	85,800
Accumulated Depreciation		
Balance at beginning of year	28,600	11,440
Depreciation	4,290	17,160
Balance at end of year	32,890	28,600
Net Carrying Amount	₱52,910	₱57,200

9. Accrued Expenses and Other Current Liabilities

This account consists of:

	March 31, 2017	December 31, 2016
Liabilities arising from the MOA	₱171,104,972	₱171,109,292
Dividends payable	10,985,443	10,985,443
Rental deposits	5,972,642	5,972,642
Accrued expenses	7,641,665	1,868,469
Others	3,230,690	3,225,036
	₱198,935,412	₱193,160,882

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets to BDO/PDIC and other related liabilities, primarily from unremitted collection of assigned receivables and sale of foreclosed properties for the account of PDIC (see Note 1). This account also includes provision for probable losses to cover estimated losses from claims. As allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, certain information is not disclosed until final settlement as it might prejudice the Company's position on the matter (see Note 14).

Dividends payable pertains to the Company's dividend for cumulative, nonparticipating, nonvoting, redeemable and convertible preferred stock that were declared prior to the Company's incurrence of deficit.

Rental deposits represent long-outstanding rental deposits that have not been claimed by the Company's previous tenants.

Accrued expenses pertain to accrual of outside services, professional fees and association dues, among others. These will be settled in the next financial year.

10. Equity

Capital Stock

The movement in capital stock are as follows:

	March 31, 2017		December 31, 2016	
	Number of Stocks	Amount	Number of Stocks	Amount
Common stock - P1 par value				
Authorized	3,000,000,000	P3,000,000,000	3,000,000,000	P3,000,000,000
Subscribed:				
Balance at beginning of year	700,298,616	700,298,616	698,930,906	698,930,906
Conversion of preferred to common	—	—	1,367,710	1,367,710
Balance at end of year	700,298,616	700,298,616	700,298,616	700,298,616
Preferred stock - P1 par value				
Authorized	2,000,000,000	P2,000,000,000	2,000,000,000	P2,000,000,000
Issued and outstanding:				
Balance at beginning of year	14,366,260	14,366,260	48,559,000	48,559,000
Conversion of preferred to common stock	—	—	(34,192,740)	(34,192,740)
Balance at end of year	14,366,260	14,366,260	14,366,260	14,366,260
	714,664,876	P714,664,876	714,664,876	P714,664,876

The Company has 1,608, and 1,881 stockholders as at March 31, 2017 and December 31, 2016, respectively.

The following summarizes the information on the Company's issued and subscribed shares as at December 31, 2016:

	Number of shares issued and subscribed	Percentage of shares
Non-public shareholdings:		
a. Related parties	498,555,085	71.20%
b. Affiliates, directors and officers	97,179,807	14.00%
Public shareholdings	104,563,624	14.80%
Total	700,298,516	100.00%

The high and low trading prices of the Company's stock are as follows:

Quarter	High	Low
January 2017 to December 2017		
First	P1.26	P1.07
January 2016 to December 2016		
First	P1.47	P0.90
Second	1.84	1.25
Third	1.35	1.16
Fourth	1.54	1.13

The preferred stock has the following salient features:

- Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.
- Cash dividend rate initially at 4.50% per annum based on par value, which shall be automatically adjusted to 9.00% per annum upon full payment of the subscription price.
- The Company may, at any time at its option, wholly or partially redeem the outstanding preferred stock plus accrued dividends thereon. When such call for redemption is made, the holders of the preferred

stock may opt to convert the preferred stock to common stock. The minimum amount of redemption shall be equivalent to ₱100.0 million and redemption in excess of the minimum shall likewise be in multiples of ₱100.0 million. All redemptions shall be applied in proportion to the outstanding preferred stock.

On October 10, 2001, the BOD approved an option to stockholders of preferred stock of extending the maturity of stock for a 2% additional dividend on the 9% regular dividend.

In 2016, 34,192,740 preferred stock were converted to 1,367,710 common stock.

Debt to Equity Conversion and Additional Subscription

On April 6, 2013, the BOD approved the conversion of advances from NOHI and MTLCI aggregating ₱600.5 million, into 240,184,770 common stock at ₱2.50 a share. On January 14, 2014, the SEC approved the valuation for the Company's debt to equity conversion.

On the same date, NOHI and MTLCI subscribed to additional ₱179.0 million or 71,600,000 common stock at ₱2.50 a share. The Company received the minimum subscription price amounting to ₱70.0 million which was used by the Company to pay its loan with BDO. The remaining subscription receivable amounting to ₱109.0 million were collected in 2014.

11. Leases

- a. The Company entered into a cancellable lease agreement of a certain property for a period of 20 years that expired on August 31, 2015. The Company subleased the said property which commenced on January 16, 2003 and consequently ended on August 31, 2015.
Rental income amounted to ₱0.3 million, ₱1.2 million and ₱2.0 million in 2016, 2015 and 2014, respectively. Related rent expense amounted to ₱0.3 million, ₱1.2 million and ₱0.6 million in 2016, 2015 and 2014, respectively.

Rent receivable amounted to nil and ₱0.4 million as at March 31, 2017 and December 31, 2016.

12. Related Party Transactions

Outstanding balances and transaction with related parties are as follows:

Parent Company and Other Related Party

Nature of Transaction	Amount of Transaction		Outstanding Balance	
	March 31, 2016	2016	March 31, 2016	2016
<i>Parent Company -</i>				
Due from (to)				
Advances	₱—	₱40,000,000	₱—	₱40,000,000
Management fee	23,092,784	23,092,784	23,092,784	—
	₱23,092,784	₱63,092,784	₱23,092,784	₱40,000,000

Outstanding balances are unsecured, noninterest-bearing, payable on demand and settlement occurs in cash.

The outstanding balance of due from Parent Company as at December 31, 2016 was subsequently collected in January 2017.

On December 22, 2015, the Company entered into a management agreement with RYM to oversee and supervise the Company's business matters until December 31, 2017.

Key Management Personnel

There is no compensation for key management personnel.

13. Commitments and Contingencies

- a. In the normal course of the Company's prior operations, there are outstanding commitments, pending litigations and contingent liabilities which are not reflected in the financial statements. The Company does not anticipate significant losses as a result of these transactions.
- b. As discussed in Note 1, under the MOA dated September 12, 2002 between the Company and BDO, the Company transferred its assets and liabilities from its development banking operations. The Company agreed to hold BDO free from any contingent claims, labor and minority issues and concerns arising from related assets and liabilities still managed by the Company until these are assumed by BDO. Further, the Company agreed to indemnify BDO against losses, claims and damages BDO may suffer in the event such contingent claims, labor and minority issues affect BDO's rights under the MOA and the Deed of Assignment until the maturity of the deposits are assumed by BDO (see Note 9).
- c. The Company is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from these will not materially affect the Company's financial position and results of operations.

14. Loss Per Share

The basic and diluted loss per share were computed as follows:

	March 31, 2017	December 31, 2016
Net loss	(P6,986,261)	(P26,270,986)
Less dividend rights of the preferred stock for the year	—	1,581,671
Loss attributable to common stockholders	(P6,986,261)	(27,852,657)
Divided by weighted average number of common stock	700,298,616	699,728,737
Loss per share - basic and diluted	(P0.01)	(P0.04)

15. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash in banks, receivables (excluding advances to officers, employees and service providers), due from Parent Company, AFS investment and accrued expenses and other current liabilities.

The main risks arising from the financial instruments of the Company are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and receivables (excluding advances to officers, employees and service providers) and due from Parent Company. The carrying amount of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

The credit quality of the Company's financial assets that are neither past due nor impaired are considered to be of high grade and expected to be collectible without incurring any credit losses. High grade financial assets are those financial assets from counterparties with good financial condition and with relatively low defaults.

The aging analyses of financial assets as at March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Cash in banks	₱1,572,248	₱–	₱–	₱–	₱1,572,248
Receivables*	2,309,932	–	–	60,277,740	62,587,672
AFS financial assets	240,000	–	–	–	240,000
	₱4,122,180	₱–	₱–	₱62,277,740	₱64,399,920

*Excluding advances to officers, employees and service providers.

	December 31, 2016				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Due from Parent Company	₱40,000,000	₱–	₱–	₱–	₱40,000,000
Cash in banks	2,696,686	–	–	–	2,696,686
Receivables*	2,381,932	–	–	60,277,740	62,659,672
AFS financial assets	240,000	–	–	–	240,000
	₱75,731,673	₱–	₱–	₱60,277,740	₱136,009,413

*Excluding advances to officers, employees and service providers.

Cash in banks are entered into with reputable financial institutions duly approved by the BOD.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The tables below summarize the maturity profile of the Company's financial liabilities as at March 31, 2017 and December 31, 2016 based on contractual undiscounted cash flows:

	March 31, 2016			Total
	On demand	Less than One year	More than One year	
Accrued expenses and other current liabilities*	₱198,935,412	₱–	₱–	₱198,935,412

*Excluding statutory payables.

	December 31, 2016			Total
	On demand	Less than One year	More than One year	
Accrued expenses and other current liabilities*	₱193,154,189	₱–	₱–	₱193,154,189

*Excluding statutory payables.

Fair Values

The table below presents a comparison by category of carrying amount and fair value of all of the Company's financial assets and liabilities as at March 31, 2017 and December 31, 2016:

	March 31, 2016		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Due from Parent Company	P–	P–	P40,000,000	P40,000,000
Cash in banks	1,572,248	1,572,248	2,696,686	2,696,686
Receivables*	2,309,932	2,309,932	2,381,932	2,381,932
AFS financial assets	240,000	240,000	240,000	240,000
	P4,122,180	P4,122,180	P45,318,618	P45,318,618
Financial Liabilities				
Accrued expenses and other current liabilities**	P198,935,412	P198,935,412	P193,154,189	P193,154,189
Due to a related party	–	–	–	–
	P198,935,412	P198,935,412	P193,154,189	P193,154,189

*Excluding advances to officers, employees and service providers.

**Excluding statutory payables.

Current Financial Assets and Liabilities. The carrying amounts of cash in banks, receivables, accrued expenses, and other current liabilities and due from and to related parties approximate their fair values due to the short-term nature of the transactions. The fair value measurement of current financial assets and liabilities is classified as Level 3 (significant unobservable inputs).

AFS Investment. The fair value of this financial asset is determined by reference to quoted market bid prices at the close of business at the reporting date. The fair value measurement of AFS investment is classified as Level 1 (quoted in an active market).

Capital Management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue its operations as a going concern and to maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders, or issue new stock. No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015.