CR06880-2019

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended

   Sep 30, 2019

2. SEC 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

   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

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	Sep 30, 2019
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2019	Dec 31, 2018
Current Assets	42,079,336	44,822,195
Total Assets	43,579,953	46,580,388
Current Liabilities	186,847,533	187,303,080
Total Liabilities	186,847,533	187,303,080
Retained Earnings/(Deficit)	-858,232,456	-855,687,568
Stockholders' Equity	-143,267,580	-140,722,692
Stockholders' Equity - Parent	-	-
Book Value per Share	-0.23	-0.2

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	-45,230	527,665	871,567	1,129,255
Gross Expense	693,154	49,833,254	3,416,455	53,262,991
Non-Operating Income	0	0	0	0
Non-Operating Expense	0	0	0	0
Income/(Loss) Before Tax	-738,384	-49,305,589	-2,544,888	-52,133,736
Income Tax Expense	0	0	0	0
Net Income/(Loss) After Tax	-738,384	-49,305,589	-2,544,888	-52,133,736
Net Income Attributable to Parent Equity Holder	0	0	0	0
Earnings/(Loss) Per Share (Basic)	-0	-0.07	-0	-0.07
Earnings/(Loss) Per Share (Diluted)	-0	-0.07	-0	-0.07

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.04	-0.09
Earnings/(Loss) Per Share (Diluted)	0.04	-0.09

Other Relevant Information
none

Filed on behalf by:

Name	Joanna Manzano
Designation	Junior Compliance Officer

COVER SHEET

2 2 4 0 1

S.E.C. Registration Number

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

(Company's Full Name)

16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City

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

ROLANDO S. SANTOS

Contact Person

831-4479

Company Telephone Number

1 2	3 1
Month	*Day*

Fiscal Year

SEC 17-Q

FORM TYPE

Month *Day*

Annual Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,594

Total No. of Stockholders

nil

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks – pls. Use black ink for scanning purposes

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 **30 September 2019**

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 [x] 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 [x] No [ ]

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

    Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited Financial Statements of Prime Media Holdings, Inc. ("Company") as of 30 September 2019 (with comparative audited Statements of Financial Position as at 31 December 2018), and for the three months and nine months ended 30 September 2018 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 statements of financial position as of 30 September 2019 and 31 December 2018:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	Increase (decrease)	
			Amount	Percentage
	(₱'000)	(₱'000)	(₱'000)	
Current assets	**₱42,079**	₱44,822	(₱2,743)	(6.12%)
Noncurrent assets	**1,501**	1,758	(257)	(14.62%)
Total Assets	**₱43,580**	₱46,580	(₱3,000)	(6.44%)
Current Liabilities	**₱186,848**	₱187,303	(₱455)	(0.24%)
Noncurrent Liability	–	–	–	–
	186,848	187,303	(455)	(0.24%)
Capital Deficiency	**(143,268)**	(140,723)	(2,545)	1.81%
Total Liabilities and Capital Deficiency	**₱43,580**	₱46,580	(₱3,000)	(6.44%)

Summary of unaudited statements of comprehensive income for the three months and nine months period ended September 30, 2019 and 2018:

	For three months ended 30 September		**For nine months ended 30 September**	
	2019	2018	**2019**	2018
	(₱'000)	(₱'000)	**(₱'000)**	(₱'000)
Revenues	**(₱45)**	₱528	**₱872**	₱1,129
Expenses	**(693)**	(49,833)	**(3,416)**	(53,263)
Loss before tax	**(738)**	(49,305)	**(2,544)**	(52,134)
Provision for income tax	–	–	–	–
Total comprehensive loss	**(₱738)**	(₱49,305)	**(₱2,544)**	(₱52,134)

Summary of unaudited statements of cash flows for the three months and nine months period ended September 30, 2019 and 2018:

	For three months ended 30 September		**For nine months ended 30 September**	
	2019	2018	**2019**	2018
	(₱'000)	(₱'000)	**(₱'000)**	(₱'000)
Cash provided by (used in) operating activities	**(₱525)**	(₱48,044)	**(₱3,302)**	(₱29,068)
Cash provided by investing activities		69,876		69,876
Increase (decrease) in cash	**(525)**	21,832	**(3,302)**	40,808
Cash at beginning of period	**2,826**	20,696	**5,603**	1,720
Cash at end of period	**₱2,301**	₱42,528	**₱2,301**	₱42,528

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

Nine months ended 30 September 2019 compared with nine months ended 30 September 2018

Results of operation for the nine months ended 30 September 2019 and 2018 were net loss of ₱2.54 million and ₱52.13 million, respectively. As compared with the same period last year, net loss for the current period declined by ₱49.59 million, which represent an improvement of 95%.

Significant changes in the income statement accounts for the nine months ended 30 September 2019 versus the same period last year are as follows:

Income

The Company's income for the current period in the amount of ₱0.87 million has dropped by ₱0.26 million compared with same period last year. The decrease in the Company's rental income is primarily due to termination of its lease contract with a third party on its property located in Mandaluyong City, mid last year. Lower collection as with regards to the recovery of accounts previously written off, also contributed to the decline in income.

Expenses

Total expenses during the period amounted to ₱3.42 million, which is lower by ₱49.85 million compared with same period last year. This represents a decrease of 94% compared with same period last year. The movement in expenses are attributable to the following:

a. During the last quarter of previous year, the Company sold its Legazpi property to Pacific Mall Corporation, which sale resulted to a loss of ₱24.9 million, representing the difference between the selling price and fair market value of the property. No similar transaction has occurred during the current year.

b. Professional fees decreased by ₱0.47 million compared with same period last year. Factors that resulted to the decline in this account are decreased in payments of various legal fees. In 2018, the Company incurred legal fees amounting to ₱0.57 million, in relation to its Cahirup case, which resulted to high legal fees last year, as compared this year.

c. Taxes and licenses for the period amounting to ₱0.43 million is lower by ₱0.80 million compared with same period last year. The Company paid real property taxes last year for its property located in Legazpi totalling ₱0.77 million, which caused last year's expense to be significantly higher compared with the current period.

d. Rent expense for the period amounting to ₱0.07 million is lower by ₱2.55 million compared with the same period last year. Last year, the Company made a payment of its association dues (including those in arrears) to Landco Business Park, concerning the Legazpi property, which resulted to high rent expense in prior year.

e. The significant drop in other expenses from ₱21.11 million last year to ₱0.82 million this year, is mainly due to payment of compromise settlement last year to Bangko Sentral ng Pilipinas involving a litigation.

Three months ended 30 September 2019 compared with three months ended 30 September 2018

Results of operation for the three months ended 30 September 2019 and 2018 were net loss of ₱0.74 million and ₱49.31 million, respectively. As compared with the same period last year, net loss for the current period declined by ₱48.57 million, which represent an improvement of 99%.

Significant changes in the income statement accounts for the three months ended 30 September 2019 versus the same period last year are as follows:

Income

The decrease in the Company's rental income is primarily due to termination of its lease contract with a third party on its property located in Mandaluyong City, mid last year. Lower collection as with regards to the recovery of accounts previously written off, also contributed to the decline in income.

Expenses

Total expenses during the period amounted to ₱0.69 million, which is lower by ₱49.14 million compared with same period last year. This represents a decrease of 99% compared with same period last year. The movement in expenses are attributable to the following:

a. During the last quarter of previous year, the Company sold its Legazpi property to Pacific Mall Corporation, which sale resulted to a loss of ₱24.9 million, representing the difference between the selling price and fair market value of the property. No similar transaction has occurred during the current year.

b. Taxes and licenses dropped by ₱0.84 million compared with same period last year. The Company paid real property taxes last year for its property located in Legazpi totaling ₱0.77 million, which caused last year's expense to be significantly higher compared with the current period.

c. Rent expense for the period amounting to ₱0.02 million is lower by ₱2.54 million compared with the same period last year. Last year, the Company made a payment of its association dues (including those in arrears) to Landco Business Park, concerning the Legazpi property, which resulted to high rent expense in prior year.

d. The significant drop in other expenses from ₱20.99 million last year to ₱0.10 million this year, is mainly due to payment of compromise settlement last year to Bangko Sentral ng Pilipinas involving a litigation.

STATEMENTS OF FINANCIAL POSITION

Total Assets of the Company as at 30 September 2019 is ₱43.58 million. The amount is lower by ₱3.0 million compared to the balance as at 31 December 2018, which represents a decline of 6%. The change in Total Assets is attributed to the following:

a. Cash
Cash decreased by ₱3.30 million or 59%. The decrease is mainly attributable to payments of the Company's operating expenses, and accruals. Advances to a related party totalling ₱0.87 million during the period, also contributed to the decline in cash balance.

b. Due from related parties
During the period, the Company advanced a total of ₱0.87 million to a related party. Further, the Company received ₱0.60 million from advances made to MMDC.

c. *Other current assets*
The movement in this account is mainly due to recognition of Input VAT from purchases of goods and/or services during the period totaling ₱0.32 million. This is slightly offset by decrease in prepaid insurance due to amortization.

d. *Equipment*
Decrease in equipment of ₱0.26 million is attributed to the depreciation recognized for the period. No addition and/or disposal was made during the period.

e. *Accrued expenses and other current liabilities*
The account decreased by ₱0.46 million or 26% during the period, due to payment of accrued legal fees, rental, and other services.

f. *Capital deficiency*
The increase in capital deficiency of ₱2.54 million is mainly due to net loss during the period.

STATEMENTS OF CASH FLOWS

Net cash used in operating activities for the nine months ended 30 September 2019 and 2018 amounts to ₱3.30 million and ₱29.07 million, respectively. Decrease in cash for the current period is the net result of the following significant transactions:

- Payment of accruals and operating expenses during the period.
- Advances made to a related party totaling ₱0.87 million.

HORIZONTAL AND VERTICAL ANALYSIS

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	Increase (Decrease)	
			Amount	Percentage
ASSETS				
Current Assets				
Cash	**₱2,301,484**	₱5,602,963	(₱3,301,479)	(58.92%)
Receivables	**27,483,567**	27,396,444	87,123	0.32%
Due from related parties	**8,167,154**	7,940,000	227,154	2.86%
Other current assets	**4,127,131**	3,882,788	244,343	6.29%
Total Current Assets	**42,079,336**	44,822,195	(₱2,742,859)	(6.12%)
Noncurrent Assets				
Equity securities designated as fair value through other comprehensive income (FVOCI)	**500,000**	500,000	–	0.00%
Equipment	**1,000,617**	1,258,193	(257,576)	(20.47%)
Total Noncurrent Assets	**1,500,617**	1,758,193	(257,576)	(14.65%)
	₱43,579,953	₱46,580,388	(₱3,000,435)	(6.44%)

LIABILITIES AND CAPITAL DEFICIENCY				
Current Liabilities				
Accrued expenses and other current liabilities	**₱172,967,533**	₱173,423,080	(₱455,547)	(0.26%)
Due to a related party	**13,880,000**	13,880,000	–	0.00%
Total Current Liabilities	**186,847,533**	187,303,080	(455,547)	(0.24%)
Capital Deficiency				
Capital stock	**714,664,876**	714,664,876	–	0.00%
Deficit	**(858,232,456)**	(855,687,568)	(2,544,888)	0.30%
Cumulative unrealized valuation gain on equity securities designated as FVOCI	**300,000**	300,000	–	0.00%
Total Capital Deficiency	**(143,267,580)**	(140,722,692)	(2,544,888)	1.81%
	₱43,579,953	₱46,580,388	(₱3,000,435)	(6.44%)

FINANCIAL INDICATORS

	As of 30 September 2019	As of 30 September 2018
Net loss	**₱2,544,888**	₱52,133,735
Quick assets	**3,981,483**	43,465,452
Current assets	**42,079,336**	61,609,481
Total assets	**43,579,953**	63,198,251
Current liabilities	**186,847,533**	219,886,918
Total liabilities	**186,847,533**	229,443,718
Stockholders 'equity	**(143,267,580)**	(166,245,468)
Preferred stock	**14,366,260**	14,366,260
Number of common shares outstanding	**700,298,616**	700,298,616
Number of preferred shares outstanding	**14,366,260**	14,366,260

Current Ratio1/	**0.23**	0.28
Debt to Equity Ratio2/	**(1.30)**	(1.38)
Asset to Equity Ratio3/	**(0.31)**	(0.38)
Return on Assets4/	**(0.06)**	(0.69)
Return on Equity5/	**0.02**	0.37
Book Value per share	**(0.23) per share**	(0.26) per share
Earnings/Loss per share (basic) trailing 12 months	**0.04**	(0.09)

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*
Total common stockholder's equity divided
Trailing 12 months Net income/(loss) less dividends paid on preferred stock / weighted ave. no. of common shares outstanding

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 Company 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 = 0.23

b. Quick Ratio
   Quick asset / Total Current Liabilities = 0.02

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 4.29

b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = (1.30)

Profitability Ratio

a. Return on Equity Ratio
   Net loss / Average shareholder's equity = 0.02

b. Return on Assets
   Net loss / Average Total assets = (0.06)

c. Asset to Equity Ratio:
   Total Assets / Ave. Stockholders' Equity = (0.31)

d. Asset Turnover
   Revenue/Total Assets = 0.02

e. Book value per share
   Stockholder's equity - preferred stock/No. of common shares outstanding = (0.23)

SIGNATURES

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

Issuer: **PRIME MEDIA HOLDINGS, INC.**

Date: 04 November, 2019

By:

Signature:

ROLANDO S. SANTOS

Title: Treasurer

Signature:

JACKY-LYN VALENZUELA

Title: Accountant

PRIME MEDIA HOLDINGS, INC.

(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF FINANCIAL POSITION

	Note	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash	4	**₱2,301,484**	₱5,602,963
Receivables	5	**27,483,567**	27,396,444
Due from related parties	13	**8,167,154**	7,940,000
Other current assets	6	**4,127,131**	3,882,788
Total Current Assets		**42,079,336**	44,822,195
Noncurrent Assets			
Equity securities designated as fair value through other comprehensive income (FVOCI)	8	**500,000**	500,000
Equipment	9	**1,000,617**	1,258,193
Total Noncurrent Assets		**1,500,617**	1,758,193
		₱43,579,953	₱46,580,388
LIABILITY AND CAPITAL DEFICIENCY			
Current Liabilities			
Accrued expenses and other current liabilities	10	**₱172,967,533**	₱173,423,080
Due to a related party	13	**13,880,000**	13,880,000
Total Current Liabilities		**186,847,533**	187,303,080
Capital Deficiency			
Capital stock	11	**714,664,876**	714,664,876
Deficit		**(858,232,456)**	(855,687,568)
Cumulative unrealized valuation gain on equity securities designated as FVOCI	8	**300,000**	300,000
Total Capital Deficiency		**(143,267,580)**	(140,722,692)
		₱43,579,953	₱46,580,388

See accompanying Notes to Financial Statements.

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

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Three Months Ended September 30, 2019	2018	Nine Months Ended September 30, 2019	2018
INCOME					
Rental	12	**₱248,400**	₱305,314	**₱745,200**	₱877,457
Recovery of accounts written-off		**(295,000)**	219,000	**80,000**	247,202
Interest income	4	**1,370**	3,351	**4,367**	4,596
Other Income		–	–	**42,000**	–
		(45,230)	527,665	**871,567**	1,129,255
EXPENSES					
Loss on sale of investment properties		–	24,896,294	–	24,896,294
Professional fees		**374,879**	393,528	**1,476,822**	1,946,074
Outside services		**114,313**	78,348	**364,561**	1,212,726
Taxes and licenses		**(5,390)**	835,271	**426,246**	1,227,598
Depreciation	9	**85,859**	83,140	**257,576**	249,420
Rent	12	**19,884**	2,561,249	**71,878**	2,620,596
Others		**103,609**	20,985,425	**819,372**	21,110,283
		693,154	49,833,254	**3,416,455**	53,262,991
NET LOSS		**(₱738,384)**	(₱49,305,589)	**(₱2,544,888)**	(₱52,133,736)
Basic and Diluted Loss Per Share	15	**(₱0.001)**	(₱0.07)	**(₱0.004)**	(₱0.07)

See accompanying Notes to Financial Statements.

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

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Note	Nine Months Ended September 30, 2019	2018
CAPITAL STOCK	11		
Common stock - ₱1 par value		**₱700,298,616**	₱700,298,616
Preferred stock - ₱1 par value		**14,366,260**	14,366,260
		714,664,876	714,664,876
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period		**–**	2,114,921,869
Effect of equity restructuring		**–**	(2,114,921,869)
Balance at end of period		**–**	–
DEFICIT			
Balance at beginning of period		**(855,687,568)**	(2,943,798,478)
Effect of equity restructuring		**–**	2,114,921,869
Net loss		**(2,544,888)**	(52,133,736)
Balance at end of period		**(858,232,456)**	(881,010,345)
CUMULATIVE UNREALIZED VALUATION GAIN ON EQUITY SECURITIES DESIGNATED AS FVOCI	8	**300,000**	100,000
		(₱143,267,580)	(₱166,245,469)

See accompanying Notes to Financial Statements.

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

UNAUDITED STATEMENTS OF CASH FLOWS

	Note	Three Months Ended September 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱738,384)**	(₱49,305,589)
Adjustments for:			
Depreciation	9	**85,859**	83,140
Interest income	4	**(1,370)**	(3,351)
Operating loss before working capital changes		**(653,895)**	(49,225,800)
Decrease (increase) in:			
Receivables		**94,100**	(190,072)
Due from related parties		**16,110**	(7,560,000)
Other current assets		**29,610**	(4,026,747)
Increase (decrease) in:			
Accrued expenses and other current liabilities		**(11,955)**	6,835,518
Due to a related party		**–**	6,120,000
Net cash generated from (used for) operations		**(526,030)**	(48,047,102)
Interest received		**1,370**	3,351
Net cash used in operating activities		**(524,660)**	(48,043,751)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties		**–**	69,876,000
NET INCREASE (DECREASE IN CASH)		**(524,660)**	21,832,249
CASH AT BEGINNING OF PERIOD		**2,826,144**	20,695,670
CASH AT END OF PERIOD		**₱2,301,484**	₱42,527,919

See accompanying Notes to Financial Statements.

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

UNAUDITED STATEMENTS OF CASH FLOWS

		Nine Months Ended September 30,	
	Note	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱2,544,888)**	(₱52,133,735)
Adjustments for:			
Depreciation	9	**257,576**	249,420
Interest income	4	**(4,367)**	(4,596)
Operating loss before working capital changes		**(2,291,679)**	(51,888,911)
Decrease (increase) in:			
Receivables		**(87,123)**	(522,272)
Due from related parties		**(227,154)**	813,062
Other current assets		**(244,343)**	(4,290,061)
Increase (decrease) in:			
Accrued expenses and other current liabilities		**(455,547)**	6,815,273
Due to a related party		**–**	20,000,000
Net cash generated from (used for) operations		**(3,305,846)**	(29,072,909)
Interest received		**4,367**	4,596
Net cash used in operating activities		**(3,301,479)**	(29,068,312)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties		**–**	69,876,000
INCREASE (DECREASE) IN CASH		**(3,301,479)**	40,807,688
CASH AT BEGINNING OF PERIOD		**5,602,963**	1,720,231
CASH AT END OF PERIOD		**₱2,301,484**	₱42,527,919

See accompanying Notes to Financial Statements

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, 2018 and 2017, 663,713,458 Company shares are publicly listed.

The Company is a subsidiary of RYM Business Management Corp. (RYM or the Parent Company), a holding company registered and domiciled in the Philippines.

On September 12, 2002, the Company agreed to transfer assets and liabilities arising from its development bank operations to Banco de Oro Unibank, Inc. (BDO) and Philippine Deposit Insurance Corporation (PDIC) under a Memorandum of Agreement (MOA). As at December 31, 2018 and 2017, 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 10).

The Company's registered office and principal place of business is at 16th Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City.

Status of Operations
The Company is still exploring for a new business. Its current activities comprise mainly of transferring assets related to its previous development bank operations to BDO and PDIC. Thus, the Company has continued to incur losses resulting in a capital deficiency of ₱140.7 million and ₱114.1 million as at December 31, 2018 and 2017, respectively. RYM, the major stockholder, however, has continued to provide the necessary financial support to sustain the Company's operations. Certain stockholders converted their preferred stock of ₱34.2 million into common stock in 2016, 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.

On March 23, 2018, the SEC approved the Company's equity restructuring to reduce its deficit by applying its additional paid-in capital (APIC) amounting to ₱2,114.9 million (see Note 11).

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements have been prepared in compliance with the 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 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 equity securities designated as fair value through other comprehensive income (FVOCI) which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value of the consideration received in exchange for incurring 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. 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 Notes 7, 8 and 16.

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, 2018:

- PFRS 9, *Financial Instruments* – This standard replaced 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, recognition 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 the classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, where the fair value option is taken, the amount of change in fair value of a financial liability designated as fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (OCI) (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. Recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

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.

As allowed under transitory provisions of PFRS 9, the Company applied the requirements of PFRS 9 retrospectively but opted not to restate the comparative information.

The Company has performed an assessment and has determined the impact of PFRS 9 on its financial instruments.

Classification and Measurement. On the date of initial application, January 1, 2018, the Company made the following reclassifications:

(i) The Company's cash, receivables and due from related parties that were classified as loans and receivables under PAS 39 are now classified as financial assets at amortized cost. These financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

(ii) The Company's investment in a club share of Valley Golf & Country Club classified as available-for-sale financial assets under PAS 39 will be measured at FVOCI under PFRS 9. But unlike in PAS 39, the accumulated gains or losses presented in OCI related to these investments will not be subsequently reclassified in profit or loss.

The Company has not designated any financial liabilities as at FVPL. There are no changes in classification and measurement for the Group's financial liabilities.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Company's financial instruments as at January 1, 2018.

Impairment. The new impairment requirements resulted to additional provision for impairment with respect to loans receivable and receivables arising from the Company's rent income. For these receivables, the Company applies the simplified approach in measuring the expected credit losses. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime expected credit losses. This resulted in an increase of the allowance for impairment losses with a corresponding increase in deficit and increase in unrecognized deferred tax assets by ₱2.2 million and ₱0.7 million, respectively, as at January 1, 2018.

For other financial assets at amortized cost which mainly comprise of cash in banks and due from related parties, the Company applies the general approach in measuring the expected credit losses. The new impairment requirements did not result in significant expected credit loss. The following are considered in the assessment:

Cash in banks are deposited with reputable counter party banks that possess good credit ratings.

For related party transactions, the Company considered the available liquid assets of the related parties.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements of the Company except for PFRS 9. Additional disclosures will be included in the financial statements, as applicable.

New and Amended PFRS in Issue But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

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

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement 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. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting

Initial Recognition. 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 price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company 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 Company 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 Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company 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 FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model.

The Company does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

Financial Assets at Amortized Cost. A financial asset 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.

Classified under this category are the Company's cash, receivables (excluding advances to officers, employees and service providers) and due from related parties.

Equity Securities Designated as FVOCI (Starting January 1, 2018). Equity securities which are not held for trading may be irrevocably designated at initial recognition under the FVOCI category.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, financial assets at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are included under "Other comprehensive income" account 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. On disposal of these equity securities, any cumulative unrealized valuation gains will be reclassified to retained earnings.

Classified under this category is the Company's investment in a club share of Valley Golf & Country Club.

AFS Financial Assets (Prior to January 1, 2018). AFS financial assets are measured at fair value. The changes in fair values are recognized in OCI and accumulated 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 are included in profit or loss.

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 Company 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.

Classified under this category are the Company's accrued expenses and other current liabilities (excluding statutory payables) and due to a related party.

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

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;
- 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.

Offsetting Financial Assets and Liabilities
Financial assets and liabilities are offset and the net amount is 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Other Current Assets
This account mainly consists of creditable withholding taxes (CWT), prepayments and the excess of input value-added tax (VAT) over output VAT.

CWT. CWT represents the amount withheld by the Company's customers in relation to its income. 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. CWT is stated at estimated net realizable value and is included as part of "Other current assets" account in the statements of financial position.

Prepayments. Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the statements of financial position.

Investment Properties
Investment properties, accounted for under the fair value model, are property held either to earn rentals or for capital appreciation, or 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 cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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 Company accounts for such property in accordance with the policy on property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further 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.

Equipment

Equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of 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 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 equipment. The cost of replacing a component of an item of 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 equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

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

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 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 Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that nonfinancial assets 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, nonfinancial assets 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.

APIC. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC. Incremental costs directly attributable to the issuance of new shares are treated as deduction from APIC.

Deficit. Deficit represents the cumulative balance of the Company's results of operations.

<u>Revenue Recognition</u>

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 from contract with customers is recognized when the performance obligation in the contract has been satisfied at a point in time or over time.

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

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

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

Recovery of Accounts Written-off. Income from other sources is recognized when the amount is actually received.

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

Other Income. Other income is recognized when earned.

<u>Expense Recognition</u>

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

<u>Operating Lease</u>

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

Company as a Lessor. Leases in which the Company does not transfer 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 over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>Income Taxes</u>

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 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.

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 OCI.

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 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.

Basic and Diluted Income (Loss) per Share
The Company computes its basic income (loss) per share by dividing net income (loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period.

Diluted income per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. There is no such information in 2019 and 2018 because the Company is in a net loss position.

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. The Company has only one segment which is a holding company.

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.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

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 Date
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. 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

The preparation of financial statements in accordance with PFRS requires management to exercise judgment, make estimates and assumptions that affect the amounts reported in the financial statements. The judgment 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 judgment, 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 ₱140.7 million and ₱114.1 million as at December 31, 2018 and 2017, 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 exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the 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 investment in a club share of Valley Golf & Country Club as financial assets at FVOCI (see Note 8).

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 subleases where it has determined that it retains all the significant risks and benefits of ownership on those properties. As such, the lease agreements are accounted for as operating leases.

Rent income amounted to ₱0.7 million and ₱0.9 million in 2019 and 2018, respectively (see Note 12).

Accounting for Lease Commitments: Company as a Lessee. The Company, as a lessee, has various operating lease agreements. 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 ₱0.07 million and ₱2.62 million in 2019 and 2018, respectively (see Note 12).

Classifying Investment Properties and Owner-Occupied Properties. The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

The carrying amount of investment properties amounted to nil and ₱69.9 million as at December 31, 2018 and 2017, respectively (see Note 7).

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.

Estimating Liabilities Related to Previous Development Bank Operations. The estimated liabilities related to previous development bank operations of the Company is based on the management's best estimate of the amount expected to be incurred to settle the obligation.

The liabilities arising from the MOA amounted to ₱151.1 million as at September 30, 2019 and December 31, 2018 (see Note 10).

Assessing Expected Credit Losses on Financial Assets at Amortized Cost. The Company applies the simplified approach on its rent receivables and the general approach on all its other financial assets at amortized cost in measuring the expected credit loss. The Company estimates the expected credit losses on its rent receivables using 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.

The Company assessed that cash are deposited with reputable counterparty banks that possess good credit ratings. For related party transactions, and other receivables, the Company considered the available liquid assets of the related parties and letter of guarantee from the stockholders.

The Company assesses that a financial asset is considered credit impaired when one or more events that have a detrimental effect on the estimated future cash flows of the asset have occurred such as significant financial difficulty on the part of the franchisee or debtor's cessation of operations.

No impairment losses were recognized in 2019 and 2018.

The aggregate carrying amount of receivables (excluding advances to officers, employees and service providers) and due from related parties amounted to ₱35.6 million and ₱35.3 million as at September 30, 2019 and December 31, 2018, respectively (see Notes 5 and 13).

Determining Fair Value of Investment Properties. The Company engaged an independent appraiser to determine the fair value of its investment properties. The fair value was determined using the market data approach. Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Further information about the assumptions made in measuring fair value of investment properties are discussed in Note 7.

Gain on fair value changes which were recognized in the statements of comprehensive income amounted to nil in 2019 and 2018. The carrying value of investment properties amounted to nil as at September 30, 2019 and December 31, 2018 (see Note 7).

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets 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 losses were recognized in 2018, 2017 and 2016 except for impairment losses recognized on advances to officers, employees and service providers amounting to ₱2.1 million in 2017 (see Note 5).

The carrying amount of the Company's nonfinancial assets are as follows:

	Note	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
Other current assets	6	**₱4,127,131**	₱3,882,788
Equipment	9	**1,000,617**	1,258,193
Advances to officers, employees and service providers	5	**41,500**	32,200

Assessing Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets 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 assets to be utilized.

The Company's unrecognized deferred tax assets amounted to ₱36.5 million and ₱44.6 million as at December 31, 2018 and 2017, respectively. Management believes that there will be no sufficient future taxable profits against which these deferred tax assets can be utilized.

4. Cash

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	₱5,277	₱5,277
Cash in banks	2,296,207	5,597,686
	₱2,301,484	₱5,602,963

Cash in banks earn interest at prevailing bank deposit rates. Interest income from cash in banks amounted to ₱4,367 and ₱4,596 in 2019 and 2018, respectively.

5. Receivables

This account consists of:

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Loans receivables:			
Third parties		₱62,277,740	₱62,277,740
Related party	13	26,000,000	26,000,000
Advances to officers, employees and service providers		2,167,835	2,158,535
Rent receivables:	12		
Related party	13	1,076,400	809,518
Third parties		261,932	309,932
Interest receivable	13	341,667	431,500
Others		–	51,226
		92,125,574	92,038,451
Less allowance for impairment losses		64,642,007	64,642,007
		₱27,483,567	₱27,396,444

Loans receivable from third parties are related to the Company's previous bank operations and receivable from a related party arising from loan agreements entered during the year.

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.

Movements in allowance for impairment losses are as follows:

	September 30, 2019 (Unaudited)			
	Loans receivables	Advances to officers, employees and service providers	Rent receivables	Total
Balance at beginning of period	₱62,277,740	₱2,126,335	₱237,932	₱64,642,007
Effect of initial application of PFRS 9	–	–	–	–
Balance at end of period	₱62,277,740	₱2,126,335	₱237,932	₱64,642,007

	December 31, 2018 (Audited)			
	Loans receivables	Advances to officers, employees and service providers	Rent receivables	Total
Balance at beginning of year	₱60,277,740	₱2,126,335	₱–	₱62,404,075
Effect of initial application of PFRS 9	2,000,000	–	237,932	2,237,932
Balance at end of year	₱62,277,740	₱2,126,335	₱237,932	₱64,642,007

The Company recovered various accounts written-off in prior years amounting to ₱0.08 million and ₱0.25 million in 2019 and 2018, respectively.

6. Other Current Assets

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
CWT	**₱3,304,567**	₱3,298,209
Prepayments	**428,965**	515,924
Net input VAT	**393,599**	68,655
	₱4,127,131	₱3,882,788

Prepayments mainly pertain to prepaid insurance and taxes.

7. Investment Properties

Movements in this account are as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of year	**₱–**	₱69,876,000
Disposal	–	(69,876,000)
Balance at end of year	**₱–**	₱–

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

In 2018, the Company sold its investment properties for a total consideration of ₱45.0 million, resulting to a loss on sale of ₱24.9 million. In concluding the sale transaction, the management took into account the cost of maintaining the property as well as other expenses and liabilities which the Company needs to defray.

The fair values of the investment properties as at December 31, 2017 are based on valuations performed by accredited independent appraiser. The appraised value of the investment properties were arrived at using the market data approach. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. 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	₱20,000-₱22,857
Value adjustments	-5% to 75%

Price per Square Meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value Adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

Sensitivity Analysis. The factors considered in determining the fair value of the property are the (a) location of the property with reference to quality neighborhood, (b) size, (c) physical characteristics such as shape, topography and road frontage; and (d) time element. Significant increase (decrease) in price per square meter would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

8. Equity Securities Designated as FVOCI

The Company's equity securities designated as FVOCI consist of a club share in Valley Golf & Country Club. The fair value of the club share is determined by reference to published price quotations in an active market.

Movements in this account are as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cost	**₱200,000**	₱200,000
Unrealized gain on fair value changes		
Balance at beginning of period	**300,000**	100,000
Fair value change	-	200,000
Balance at end of period	**300,000**	300,000
	₱500,000	₱500,000

9. Equipment

Movements in this account are as follows:

	September 30, 2019 (Unaudited)		
	Computer Equipment	**Transportation Equipment**	**Total**
Cost			
Balance at beginning of period	**₱85,800**	**₱1,631,375**	**₱1,717,175**
Additions	–	–	–
Balance at end of period	**85,800**	**1,631,375**	**1,717,175**
Accumulated Depreciation			
Balance at beginning of period	**62,920**	**396,062**	**458,982**
Depreciation	**12,870**	**244,706**	**257,576**
Balance at end of period	**75,790**	**640,768**	**716,558**
Carrying Amount	**₱10,010**	**₱990,607**	**₱1,000,617**

	December 31, 2018 (Audited)		
	Computer Equipment	Transportation Equipment	Total
Cost			
Balance at beginning of year	₱85,800	₱1,577,000	₱1,662,800
Additions	–	54,375	54,375
Balance at end of year	85,800	1,631,375	1,717,175
Accumulated Depreciation			
Balance at beginning of year	45,760	78,850	124,610
Depreciation	17,160	317,212	334,372
Balance at end of year	62,920	396,062	458,982
Carrying Amount	₱22,880	₱1,235,313	₱1,258,193

On February 8, 2018, the Company entered into an operating lease agreement with Marcventures Mining and Development Corporation (MMDC), a related party under common control, for the lease of the transportation equipment until October 7, 2019 (see Note 13).

Rent income from the lease of transportation equipment amounted to ₱0.7 million and ₱0.9 million in 2019 and 2018, respectively.

10. Accrued Expenses and Other Current Liabilities

This account consists of:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Liabilities arising from the MOA	**₱151,104,972**	₱151,104,972
Dividends payable	**10,985,443**	10,985,443
Rental deposits	**5,972,642**	5,972,642
Accrued expenses	**1,707,296**	2,117,206
Statutory payables	**970**	2,607
Others	**3,196,210**	3,240,210
	₱172,967,533	₱173,423,080

Liabilities arising from the MOA pertain to estimated transfer taxes and registration fees related to the transfer of assets from its development bank operations 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.

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 are normally settled in the next financial year.

Others include statutory payables and refunds of tenants related to the Company's previous operations. These are noninterest-bearing, unsecured and are normally settled in the next financial year or upon demand.

11. **Equity**

Capital Stock

The movement in capital stock are as follows:

	September 30, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Number of Shares	Amount	Number of Shares	Amount
Common stock - ₱1 par value				
Authorized	3,000,000,000	₱3,000,000,000	3,000,000,000	₱3,000,000,000
Subscribed:				
Balance at beginning of period	700,298,616	700,298,616	700,298,616	700,298,616
Conversion of preferred to common stock	–	–	–	–
Balance at end of period	700,298,616	700,298,616	700,298,616	700,298,616
Preferred stock - ₱1 par value				
Authorized	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Issued and outstanding:				
Balance at beginning of period	14,366,260	14,366,260	14,366,260	14,366,260
Conversion of preferred to common stock	–	–	–	–
Balance at end of period	14,366,260	14,366,260	14,366,260	14,366,260
	714,664,876	₱714,664,876	714,664,876	₱714,664,876

The Company has 1,594 and 1,598 stockholders as at September 30, 2019 and December 31, 2018, respectively.

The following summarizes the information on the Company's issued and subscribed shares as at September 30, 2019:

	Number of shares issued and subscribed	Percentage of shares
Non-public shareholdings:		
a. Related parties	575,733,986	82.21%
b. Affiliates, directors and officers	1,005	0.00%
Public shareholdings	124,563,625	17.79%
Total	700,298,616	100.00%

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

Quarter	High	Low
January to September 2019		
First	**₱1.36**	**₱1.12**
Second	**1.40**	**1.03**
Third	**1.98**	**1.21**
January to December 2018		
First	₱1.68	₱1.08
Second	1.62	1.09
Third	1.66	1.15
Fourth	1.26	1.10

The preferred stock has the following salient features:

a. Cumulative, nonparticipating, nonvoting, redeemable and convertible at the option of the Company.

b. 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.

c. 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.

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

Equity Restructuring
As discussed in Note 1, on March 23, 2018, the SEC approved the Company's equity restructuring to reduce its deficit by applying its APIC amounting to ₱2,114.9 million.

12. Leases

Operating Lease Commitments

- The Company entered into cancellable lease agreements for a period ranging from one to thirteen years renewable upon mutual agreement of the parties and subleased the properties under the same terms.

- On February 8, 2018, the Company entered into an operating lease agreement with MMDC for the lease of the transportation equipment until October 7, 2019 (see Note 9).

  Rent income amounted to ₱0.7 million and ₱0.9 million in 2019 and 2018, respectively. Rent receivable amounted to ₱1.3 million and ₱1.1 million as at September 30, 2019 and December 31, 2018, respectively (see Note 5).

  Related rent expense amounted to ₱0.07 million and ₱2.62 million in 2019 and 2018, respectively.

13. Related Party Transactions

Outstanding balances and transactions with related parties are as follows:

		Amount of Transaction		Outstanding Balance	
	Nature of Transaction	**2019 (Unaudited)**	2018 (Audited)	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
Receivables					
Loans Receivables					
Entity under common control	Loan	**₱–**	₱26,000,000	**₱26,000,000**	₱26,000,000
	Interest income	**(89,833)**	433,334	**341,667**	431,500
Rent Receivables					
Entity under common control	Rent income	**745,200**	828,000	**1,076,400**	809,518
				₱27,418,067	₱27,241,018
Due from related parties					
Entity under common control	Advances	**₱227,154**	₱8,500,000	**₱8,167,154**	₱7,940,000
Due to a related party					
Parent Company	Advances	**₱–**	₱20,000,000	**₱13,880,000**	₱13,880,000

Terms and Conditions of Transactions with Related Parties

Loans Receivables
In 2018, the Company granted 1-year unsecured loan with 10% per annum interest to MMDC due in 2019.

Due to and from Related Parties
Outstanding balances are unsecured, noninterest-bearing, payable on demand and settlement occurs in cash. The Company has not made any provision for impairment losses relating to the amounts owed by related parties. This assessment is undertaken at each reporting date by taking into consideration the financial position of the related party and the market at which the related party operates.

On December 22, 2015, the Company entered into a management agreement with the Parent Company to oversee and supervise the Company's business matters until December 31, 2017. On December 3, 2018, the Company obtained approval from its stockholders to enter into a new management with the Parent Company.

Key Management Personnel
The Company has no key management personnel. Its accounting and administrative functions are provided by a related party at no cost to the Company.

14. 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/PDIC, the Company agreed to transfer its assets and liabilities from its development banking operations to BDO/PDIC. 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.

   The Company has accounted for separately, assets from its development banking operation pursuant to the MOA. It still has in its possession titles of real estate properties from its development banking operations with an aggregate fair value of ₱527.8 million as at December 31, 2018 and 2017. Moreover, the Company has cash of ₱13.9 million as at December 31, 2018 and 2017, respectively, arising from the proceeds of sale of a property.

15. Basic Loss Per Share

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Net loss	**(₱2,544,888)**	(₱24,573,027)
Less dividend rights of preferred stockholders for the period	–	1,581,671
Loss attributable to common stockholders	**(2,544,888)**	(26,154,698)
Divided by weighted average number of common stock	**700,298,616**	700,298,616
Basic loss per share	**(₱0.004)**	(₱0.037)

The conversion feature of the Company's preferred stock has potential antidilutive effect. The Company has no diluted income per share in 2019 and 2018 because the Company is in a net loss position.

16. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise of cash, receivables (excluding advances to officers, employees and service providers), due from related parties, equity securities designated as FVOCI, accrued expenses and other current liabilities (excluding statutory payables) and due to a related party.

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 related parties and equity securities designated as FVOCI. The carrying amounts of the financial assets represent the Company's maximum exposure to credit risk in relation to financial assets.

The aging analyses of financial assets as at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019 (Unaudited)				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Financial Assets at Amortized Cost					
Cash in banks	**₱2,296,207**	**₱–**	**₱–**	**₱–**	**₱2,296,207**
Receivables*	**27,442,067**	**–**	**–**	**62,515,672**	**89,957,739**
Due from related parties	**8,167,154**	**–**	**–**	**–**	**8,167,154**
	37,905,428	**–**	**–**	**62,515,672**	**100,421,100**
Financial Assets at FVOCI					
Equity securities designated as FVOCI	**500,000**	**–**	**–**	**–**	**500,000**
	₱38,405,428	**₱–**	**₱–**	**₱62,515,672**	**₱100,921,100**

Excluding advances to officers, employees and service providers amounting to ₱2.2 million.

	December 31, 2018 (Audited)				
	Neither Past Due Nor Impaired	Past Due But Not Impaired		Past Due and Impaired	Total
		Less Than 30 Days	31-60 Days		
Financial Assets at Amortized Cost					
Cash in banks	₱5,597,686	₱	₱–	₱–	₱5,597,686
Receivables*	27,364,244	–	–	62,515,672	89,879,916
Due from related parties	7,940,000	–	–	–	7,940,000
	40,901,130	–	–	62,515,672	103,417,602
Financial Assets at FVOCI					
Equity securities designated as FVOCI	500,000	–	–	–	500,000
	₱41,401,930	₱	₱–	₱62,515,672	₱103,917,602

Excluding advances to officers, employees and service providers amounting to ₱2.2 million.

Credit Quality of Financial Assets. The credit quality of the Company's financial assets are being managed by using internal credit ratings such as high grade and standard grade.

High grade - pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal.

Standard grade - include financial assets that are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty.

The Company has assessed the credit quality of financial assets that are neither past due nor impaired as high grade.

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 Company also maintains a balance between continuity of funding and flexibility. The policy of the Company is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Company seeks to manage its liquid funds through cash planning on a weekly basis. The Company uses historical figures and experiences and forecasts from its cash receipts and disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

As at September 30, 2019 and December 31, 2018, accrued expenses and other current liabilities (excluding statutory payables) and due to a related party aggregating ₱186.8 million and ₱187.3 million, respectively, are generally due and demandable.