108072019006772

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	0000041004
Company Name	GEOGRACE RESOURCES PHILIPPINES, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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SEC Registration Number

41004

Company Name

GEOGRACE RESOURCES PHILIPPINES, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

7/F PEAKSUN BUILDING, 1505 PRINCETON STREET, corner SHAW BOULEVARD, BRGY. WACK-WACK, GREEN HILLS EAST MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
Not Applicable	**(632)856-2013**	**Not Applicable**

No. of Stockholders	Annual Meeting Month/Day	Year/Month/Day
518	**Every Last Friday of April**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Delfin S. Castro. Jr.	**castrojun@yahoo.com**	**(632)856-2013**	**Not Applicable**

Contact Person's Address

7th Floor, Peaksun Building, Princeton St., Shaw Blvd., Brgy Wack-Wack, Mandaluyong City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated

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 June 30, 2019

2. Commission identification number 41004 3. BIR Tax Identification No. 000-718-626-000

4. Exact name of issuer as specified in its charter **GEOGRACE RESOURCES PHILIPPINES, INC.**

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office Postal Code

7F Peaksun Bldg. Shaw Blvd. cor. Princeton Street, Bgy. Wack-Wack, Greenhills East, Mandaluyong City

8. Issuer's telephone number, including area code **(632) 856-2013**

9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock, P0.40 par value	**3,500,000,000**

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

Yes [X] No [ ]

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

Philippine Stock Exchange **Common Stock**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11of 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 90 days.

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements for the Second quarter ending June 30, 2019 was presented in conformity with accounting principles generally accepted in the Philippines. The Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

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

A. Plan of Operations

<u>**Plan of Operations**</u>

The Company amended its Articles of Incorporation to change its primary purpose from a mining company to a holding company on February 20, 2014. In line with its new primary purpose, the Company will be on the continuous look out for possible investments in other areas of interest while continuously maintaining its existing mining tenement.

The Company is currently setting-up parameters to identify businesses in other areas of interest that it may possibly venture into. Once a potential business or opportunity has been identified, it will be subjected to due diligence and a comprehensive analysis of its business model, prospects, management, financial performance and risks. Once it has passed the parameters set by the management, it will be presented to the Board for approval. The Board and management will venture into new businesses and or opportunities bearing in mind its main objective of improving shareholder value.

On May 6, 2011, the Company's Board approved the issuance, via private placement investment, of Nine Hundred Fifty Two Million Four Hundred Eighteen Thousand Five Hundred Seventy One (952,418,571) shares (the "Shares") of the Company at One Peso (Php1.00) per share. As of December 31, 2018, the Company has received a total of Php238,104,642.75 from the aforementioned investors representing 25% of their total subscriptions.

Currently, there are no plans to conduct any research and development for a particular project, but the Company may conduct research and development for new projects and or businesses.

The Company does not expect to purchase or sell a plant or any significant equipment and does not expect to have significant changes in the number of its employees.

On 6 November 2013 and 20 December 2013, the Company's Board of Directors and stockholders, respectively, approved the following amendments to the Company's articles of Incorporation:

(1) the amendment of Article II in order to change its primary purpose from a mining company into a holding company in order to enable the Company to make investments in areas of other interest; and

(2) the amendment of Article IV in order to reduce the number of directors from eleven (11) to seven (7).

On February 20, 2014, SEC approved the amendments of the Company's Articles of Incorporation.

B. Management's Discussion and Analysis

Financial Performance
In Thousand Pesos

Key Financial Indicators	June 30, 2019	%	June 30, 2018	%
Gross Revenue	-	0%	-	0%
Cost and Expense	(349)	100%	(446)	100%
Net loss	(349)	-100%	(446)	-100%
Current Assets	27,182		27,689	
Unallocated Current Assets	113		19,859	
Total Current Assets	27,295	100%	47,548	95%
Assets	27,182		27,689	
Unallocated Assets	186		22,428	
Total Assets	27,368	100%	50,117	100%
Current Liabilities	12,142	44%	7,938	16%
Liabilities	7,160		6,015	
Unallocated Liabilities	4,982		1,923	
Total Liabilities	12,142	44%	7,938	16%
Total Stockholders' Equity	15,226	56%	42,178	84%
Current Ratio	2.248		5.990	
Debt to Equity	0.797		0.188	
Gross Profit Margin	NA		NA	
Net Operating Margin	NA		NA	
Return on Assets	(0.01)		(0.01)	
Return on Equity	NA		NA	

Cost and expenses and net income are computed as a percentage of Gross Revenues.
Current assets, current liabilities, total liabilities and stockholders' equity are computed as a percentage of total assets.
Return on Assets is derived by dividing net income (loss) from total assets.

For the period ended June 30 2019 versus December 31, 2018:

During the second quarter period ending June 30, 2019, the Company incurred ₱0.355 million in general and administrative expenses.

Total Current Assets was decreased by 0.88% or ₱0.242 million from ₱27.537 million in December 31, 2018 to ₱27.295 million in June 30, 2019.

Total Liabilities increased by 1.51% or ₱ 0.180 million to ₱ 12.142 million in June 30, 2019 as compared to last year's total liabilities of ₱11.962 million. The increase was mainly due to additional advances from related parties during the period.

Similarly, total Stockholders' Equity stood at ₱15.226 million, a decrease of 2.24% or ₱0.349 million from ₱15.576 million in December 31, 2018. The decrease was to due operating expenses incurred.

For the period ended June 30, 2019 versus June 30, 2018:

The total general and administrative expenses decreased by 21.66% or to ₱0.096 million from ₱0.446 million during the previous year (2nd Quarter). Said expenses also pertains to the company's loss for the same period since the company only derived a minimal income from bank interests of its cash.

Total Current Assets ending June 30 2019 was decreased by 42.59% or by ₱20.252 million as compared to the same period last year due to provision for impairment. Total Non-Current Assets on the other hand, decreased by 97.17% or ₱2.496 million due to provision for impairment losses.

Total Liabilities increased by 52.95% or ₱4.203 million as compared to previous year's total liabilities. This increase was due to accrued expenses and additional advances from related parties.

Total Stockholders' Equity decreased by 63.90% or ₱26.952 million due to provision for impairment losses.

Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operation of the following:

a. Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

To date, the management of GEO has inked the following agreements:

1. On May 6, 2011, the Company entered into various Subscription Agreements with the following investors involving a private placement transaction covering Nine Hundred Fifty Two Million Four Hundred Eighteen Thousand Five Hundred Seventy One (952,418,571) shares (the "Shares") of the Company at One Peso (PHP1.00) per share. The subscription price of One Peso (PhP1.00) per share represents a premium over the closing price over the PHP 0.63 closing price of the Company's shares as of May 5, 2011. The payment terms were as follows: (a) twenty-five percent (25%) of the subscription price shall be paid upon the execution of the Subscription Agreements; and (b) the balance of the subscription price shall be paid upon call by the Board.

Name of Investor	Number of Shares Subscribed	Amount of Subscription
• Garry Lincoln CalixtroTaboso	200,000,000	₱200,000,000.00
• Daniel C. Go	120,000,000	120,000,000.00
• Zandro L. Zulueta	60,000,000	60,000,000.00
• Antonio Victoriano F. Gregorio III	220,000,000	220,000,000,.00
• Delfin S. Castro, Jr.	72,418,571	72,418,571.00
• Jose Francisco E. Miranda	60,000,000	60,000,000.00
• Jose M. Crisostomo	120,000,000	120,000,000.00
• David M. Dela Cruz	100,000,000	100,000,000.00
TOTAL	952,418,571	₱952,418,571.00

As of June 30, 2015, the Company has received a total of ₱238,104,642.75 from the aforementioned investors representing 25% of their total subscriptions.

2. On December 28, 2011, The Company acquired 97% of the outstanding shares of Abeilles pursuant to the Deeds of Absolute Sales between the Company and the shareholders of Abeilles. The Abeilles account includes the 100% ownership of the outstanding shares of Richground, Geo8, Minevault and Masbate 109 and 1.5% ownership of the outstanding shares of Masbate 10.

b. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. <u>None.</u>

c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. <u>None except items discussed above.</u>

d. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources and uses of funds for such expenditures. <u>None.</u>

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. <u>None.</u>

f. Any significant elements of income or loss that did not arise from the Company's operations. None.

g. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

Balance Sheet items (June 30, 2019 versus December 31, 2018)

0.88% *decrease in Current Assets*
Decrease in Cash

1.51 % increase in Total liabilities
Increase in Advances from Related Parties.

Balance Sheet items (June 30, 2019 versus June 30, 2018)

42.59 *% decrease in Current Assets*
Decrease due to provision for impairment losses.

97.17 % decrease in Non-current
Decrease due to provision for impairment losses.

52.95 % increase in Total Liabilities
Increase in Advances from Related Parties.

Income Statement items (Second quarter (6 months) ended June 30, 2019 versus June 30, 2018)

21.73 *% decrease in General and Administrative Expenses*
Due to decrease in some expenses particularly director's fee.

Any seasonal aspect that will have a material effect on the financial condition or results of operation of the Company. None.

PART II--OTHER INFORMATION

Item 3. Assessment of the financial risk exposures of the Company particularly on currency, interest, credit, market and liquidity risks.

Please refer to Notes to Financial Statements No. 15.

Item 4. Evaluation of Financial Instruments

a. A description of the financial instruments of the Company and the classification and measurement applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the Company. Please refer to Notes to Financial Statements No. 15.

b. The amount and description of the Company's investments in foreign securities. Not applicable, the Company has no investment in foreign securities.

c. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy. Please refer to Notes to Financial Statements No. 15.

d. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities. Please refer to Notes to Financial Statements No. 15.

e. The criteria used to determine whether the market for a financial instrument is active or inactive. Not applicable, the Company has no AFS investments.

SIGNATURES

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

DELFIN S. CASTRO, JR.
PRESIDENT

Date August 06, 2019

RAMONCITO B. CABALU
TREASURER

Date August 06, 2019

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2019		Audited December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	27,181,964	₱	27,534,742
Receivables (Notes 5)		113,300		2,654
		27,295,264		27,537,396
Non current Assets				
Advances to related parties (Note 10)		33,586		-
Other non-current assets (Note 6)		39,185		-
		72,771		-
Total Assets	₱	27,368,035	₱	27,537,396
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Accrued Expenses & other liabilities (Note 9)		7,160,142		7,431,035
Advances from related parties (Note 10)	₱	4,981,804	₱	4,530,790
Total Liabilities		12,141,946		11,961,825
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock		2,785,686,072		2,785,686,072
Deficit		(2,770,284,702)		(2,769,935,701)
		15,401,370		15,750,371
Non- Controlling Interest		(175,281)		(174,800)
Total Equity		15,226,089		15,575,571
Total Liabilities & Equity	₱	27,368,035	₱	27,537,396

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2019		Unaudited June 30, 2018
ASSETS				
Current Assets				
Cash and cash equivalents	₱	27,181,964	₱	27,688,614
Receivables		113,300		16,758,235
Creditable Witholding Taxes		-		3,100,704
		27,295,264		47,547,553
Non current Assets				
Advances to related parties		33,586		-
Other non-current assets		39,185		2,568,606
		72,771		2,568,606
	₱	27,368,035	₱	50,116,159
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Accrued Expenses & other liabilities		7,160,142		6,014,763
Advances from related parties	₱	4,981,804	₱	1,923,701
Total Liabilities		12,141,946		7,938,464
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock		2,785,686,072		2,785,686,072
Deficit		(2,770,284,702)		(2,743,769,453)
		15,401,370		41,916,619
Non- Controlling Interest		(175,281)		261,076
Total Equity		15,226,089		42,177,695
Total Liabilities & Equity	₱	27,368,035	₱	50,116,159

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

		April 1 to June 30, 2019	January 1 to June 30, 2019		April 1 to June 30, 2018	January 1 to June 30, 2018
REVENUES	₱			₱		
GENERAL & ADMINISTRATIVE EXPENSES		(60,197)	(354,644)		(115,964)	(453,125)
OTHER INCOME						
Interest Income (Note 4)		284	5,162		212	5,092
Foreign Exchange losses-net		-	-		1,938	1,938
INCOME (LOSS) BEFORE INCOME TAX		(59,913)	(349,482)		(113,814)	(446,095)
PROVISION FOR INCOME TAX						
NET INCOME (LOSS)	₱	(59,913)	(349,482)	₱	(113,814)	(446,095)
NET INCOME/(LOSS) ATTRIBUTABLE TO:						
Equity Holders of the Parent Company		(59,867)	(349,001)		(110,400)	(434,712)
Non-controlling interest		(46)	(481)		(3,414)	(11,383)
TOTAL COMPREHENSIVE LOSS		(59,913)	(349,482)		(113,814)	(446,095)
WEIGHTED AVERAGE NUMBER OF COMMON SHARE		3,500,000,000	3,500,000,000		3,500,000,000	3,500,000,000
Net Income (Loss) Per Share		(0)	(0)		(0)	(0)

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	January 1 to June 30, 2019	January 1 to December 31, 2018	January 1 to June 30, 2018	January 1 to December 31, 2017
CAPITAL STOCK - ₱ 1 par value				
ISSUED				
Balance at the beginning of the year	₱ 2,522,105,615	₱ 2,522,105,615	₱ 2,522,105,615	₱ 2,522,105,615
Issuance	-	-	-	-
Effect of Restructuring	-	-	-	-
	2,522,105,615	2,522,105,615	2,522,105,615	2,522,105,615
SUBSCRIBED				
Balance at the beginning of the year	977,894,385	977,894,385	977,894,385	977,894,385
Effect of restructuring	-	-	-	-
	977,894,385	977,894,385	977,894,385	977,894,385
Balance at the end of year	3,500,000,000	3,500,000,000	3,500,000,000	3,500,000,000
SUBSCRIPTION RECEIVABLE				
Balance at the beginning of the year	(714,313,928)	(714,313,928)	(714,313,928)	(714,313,928)
Effect of restructuring				
	(714,313,928)	(714,313,928)	(714,313,928)	(714,313,928)
DEFICIT				
Balance at the beginning of the year	(2,769,935,701)	(2,743,334,741)	(2,743,334,741)	(2,741,612,051)
Effect of restructuring				
Total Comprehensive Income/ (Loss)	(349,001)	(26,600,960)	(434,712)	(1,722,690)
Balance at the end of year	(2,770,284,702)	(2,769,935,701)	(2,743,769,453)	(2,743,334,741)
NON-CONTROLLING INTEREST				
Balance at the beginning	(174,800)	272,459	272,459	276,422
Minority Interest	(481)	(447,259)	(11,383)	(3,963)
	(175,281)	(174,800)	261,076	272,459
	₱ 15,226,089	₱ 15,575,571	₱ 42,177,695	₱ 42,623,790

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	April 1 to June 30, 2019	Jan 1 to June 30, 2019	April 1 to June 30, 2018	Jan 1 to June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax	₱ (59,913)	₱ (349,482)	₱ (113,814)	₱ (446,095)
Adjustment for Interest Income	(284)	(5,162)	(212)	(5,092)
Foreign exchange losses- net	-	-	1,938	1,938
Operating income before working capital changes	(60,197)	(354,644)	(112,088)	(449,249)
(Increase) Decrease				
Receivables	-	(110,646)	463,253	463,253
Other Current Assets	(2,399)	(39,185)	999	(29,721)
Increase (Decrease)				
Accounts & other payables	(219,843)	(270,893)	6,635	535
Cash required by operations	(282,439)	(775,368)	358,799	(15,182)
Interest Income	284	5,162	212	5,092
Net Cash Provided by operating activities	(282,155)	(770,206)	359,011	(10,090)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to/from related parties	(399)	417,428	(366,455)	30,443
Net Cash Provided (Used) in Investing Activities	(399)	417,428	(366,455)	30,443
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(282,554)	(352,778)	(7,444)	20,353
EFFECT OF EXCHANGE RATE CHANGES IN CASH	-	-	(1,938)	(1,938)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,464,518	27,534,742	27,697,996	27,670,199
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 27,181,964	₱ 27,181,964	₱ 27,688,614	₱ 27,688,614

GEOGRACE RESOURCES PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Corporate Information
Geograce Resources Philippines, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Philippines on April 20, 1974. The Parent Company and its subsidiaries, namelyAbeilles Assets, Inc. (Abeilles), Geo8 Resources, Inc. (Geo8), Minevault Inc.(Minevault), RichgroundPhils Inc. (Richground), and Masbate 109 Philippines, Inc. (Masbate109), collectively referred to as the Group, are engaged in the exploration, exploitation and development of mineral resources. The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Group is at 1505 Princeton Street corner Shaw Boulevard, Barangay Wack-WackGreenhills East, Mandaluyong City.

The following are the subsidiaries of the Parent Company as at June 30, 2019:

Company	Ownership	Percentage of Ownership
Subsidiaries:		
Abeilles	Direct	97%
Richground*	Indirect	97%
Geo8*	Indirect	97%
Minevault*	Indirect	97%
Masbate109*	Indirect	97%
Associate:		
Masbate10 Philippines, Inc. (Masbate10)*	Indirect	1.5%

**The ownership in these subsidiaries and associate is held through Abeilles.*

On December 20, 2013, the shareholders approved the following amendments to the Parent Company's Articles of Incorporation:

- Amendment of Article II changing the Parent Company's primary purpose from a mining company into a holding company.
- Amendment of Article VI reducing the number of directors from eleven (11) directors to seven (7) directors.

The amendments in the Parent Company's Articles of Incorporation were approved by the Securities and Exchange Commission (SEC) on February 7, 2014, primarily to invest in, purchase or otherwise acquire, own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stocks, bonds, debentures, notes evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, but not to act as a dealer in securities and to invest in and mange any company or institution.

Status of Operations
As shown in the accompanying consolidated financial statements, the Group incurred accumulated losses resulting in deficit of ₱2,770,284,702 and ₱2,769,935,701 as at June 30, 2019 and December 31, 2018, respectively. The Group incurred net loss amounting to ₱ 349,482 and ₱ 446,095 in June 30, 2019 and June 30, 2018, respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that

it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Group continuously looks out for investment opportunities to turn around its operations. The Group will continue to maintain its listing with the PSE.

On February 7, 2014, the SEC approved the Parent Company's application for the amendment of its Articles of Incorporation, converting its main purpose from that of a mining company to a holding company. In line with its new primary purpose, the Parent Company will be on the continuous lookout for possible investments in other areas of interest while maintaining some of its mining tenements.

As part of its business model, the Parent Company will continue to identify joint venture partners. The Parent Company, in turn will cede a percentage ownership to the joint venture partner.

The Parent Company is currently setting up parameters to identify other areas of interest. Once a potential business opportunity has been identified, it will be subjected to due diligence and a comprehensive analysis of its business model, prospects, management, financial performance, and other potential risks. Once it has passed the parameters set by management, it will be presented to the Parent Company's BOD for approval. The BOD members, with its experience in various fields of industries, together with management, will venture into new businesses or opportunities bearing in mind the main objective of improving shareholder value.

2. Basis of Preparation and Consolidation, Statement of Compliance, Changes in Accounting Policies and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso (P) which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All amounts are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standard (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at June 30, 2019 and 2018. The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if the Group has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and

- The Parent Company's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Group and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognizes the selected assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in profit or loss.

Subsidiaries
Subsidiaries are entities over which the Group has control.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. The accounting policies of the subsidiary are also in line with those of the Parent Company.

NCI
Where the ownership of a subsidiary is less than 100%, and therefore an NCI exists, any gains or losses of that subsidiary are attributed to the NCI even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences (if any), recognized in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent company's share of components previously recognized in other comprehensive income or other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new accounting pronouncements starting January 1, 2018. Adoption

of these pronouncements did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- PFRS 15, *Revenue from Contracts with Customers*
  The adoption of PFRS 15 did not have any significant impact on the financial statements of the Company since the Company is non-operating and does not have any revenue from contracts with customers.
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to PFRSs 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases.* The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of twelve (12) months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

The Group is currently assessing the impact of adopting PFRS 16.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in single consolidated statements of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the statements of financial position based on current and noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the end of the financial reporting period; or
- Cash unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

The details of these conditions are outlined below.

Business model assessment

The Group determines the business model at the level that best reflects how the Group manages financial assets to achieve their business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from our original expectations, we do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial assets are required to be measured at FVPL.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash, receivables and advances to related parties.

Derecognition of Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). In the case of advances to related parties for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, accrued expenses and advances from related parties, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of accrued expenses and advances from related parties, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Accrued Expenses and Advances from Related Parties

This is the category most relevant to the Group. After initial recognition, accrued expenses and advances from related parties are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

Derecognition of Financial Liabilities

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

Fair Value Measurement

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to the quoted market bid prices at the close of business on the financial reporting date, without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using appropriate valuation techniques, which may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities; or other valuation models.

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
iii. 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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting date.

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

An analysis of fair values of financial investments and further details as to how they are measured are provided in Note 16.

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

Nonfinancial Assets
Other Noncurrent Assets
Other noncurrent assets include input VAT, deferred input VAT and creditable withholding tax.

Input VAT and Deferred Input VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Deferred input VAT represents input VAT on the purchase of applicable services that are still outstanding at the end of financial reporting period. This will be claimed as tax credit against output VAT upon payment of the related liability.

Creditable Withholding Tax (CWT)
CWTs are withheld from sale of services which the Group can utilize as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation.

Investment in an Associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of such investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

The financial statement of the associate is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Impairment of Nonfinancial Assets
Investment in an Associate
The Group assesses at each statement of financial position date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the

carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The recoverable amount of investment in and advances to an associate is assessed, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity. Impairment losses of continuing operations are recognized in consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of comprehensive income.

Other Noncurrent Assets
Other noncurrent assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

The Group provides allowance for impairment losses on other noncurrent assets when they can no longer be realized. The amount and timing of recorded expense for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expense and decrease other current assets. Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss recognized for that the asset in the prior years.

<u>Capital Stock</u>
Common shares are classified as equity.

Capital stock is recognized when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds.

Additional Paid-in Capital
Additional paid-in capital is the amount of contribution in excess of par value of shares. Additional paid-in capital also arises from additional capital contribution from the stockholders and the excess of treasury shares reissued over its cost.

Treasury Shares
The Group's own equity instruments that are reacquired are recognized at cost and deducted from equity. Any difference between carrying amount and the consideration if reissued is recognized in additional paid-in capital.

Deficit
Deficit represents the cumulative balance of the results of operation. A deficit is not an asset but a deduction from equity.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the Group statement of changes in equity) that are not recognized in the Group profit or loss for the year in accordance with the PFRS.

Revenue Recognition
Revenue from Contract with Customers
Revenue from contracts with customers is recognized when control passes to the customer. The Group has no revenue from contract with customers.

Other Income
Interest Income
For interest bearing financial assets, interest income is recognized as the interest accrues, taking into account the effective yield on asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when they are incurred.

General and Administrative Expenses
General and administrative expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry forward benefits of unused tax credits can be utilized.The carrying amount of deferred income tax assets is reviewed at the end of each financial reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of financial reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is determined by dividing net income (loss) by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

Diluted earnings (loss) per common share, if applicable, is calculated by dividing the net income (loss) for the year attributable to the ordinary equity holders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for outstanding common stock equivalents.

Since the Group has no potential dilutive common shares, basic and diluted earnings per EPS are stated at the same amount.

Provisions

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

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement, is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Contingencies

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

Segment Reporting

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c. for which discrete financial information is available.

Events after the End of the Reporting Period
Post year-end events that provide additional information on the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes to consolidated financial statements. The judgments, estimates, and assumptions used in the Group's consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be recoverable under the circumstances. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements:

Ability to Continue as a Going ConcernS
As discussed in Note 1 to the financial statements, the Group has incurred losses of ₱ 349,482 and P446,095 as at June 30, 2019 and 2018, respectively, resulting to a cumulative deficit amounting to ₱ 2,770,284,702 and ₱2,769,935,701 as at June 30, 2019 and December 31, 2018, respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Group considered not only its percentage of ownership but other factors such as the board seat representation it has in the associate's governing body, its interchange of managerial personnel with the associate and management agreements, among others. As at June 30, 2019 and December 31, 2018, the Group assessed that it has significant influence over Masbate10 and has accounted for the investment as an associate (see Note 7).

Estimates and Assumptions
The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

Provision for Expected Credit Losses on Receivables and Advances to Related Parties
The Group uses the general approach model as new impairment requirement of PFRS 9 based on ECL which replaces PAS 39 incurred loss model. An assessment of the ECL relating to advances to related parties is undertaken upon initial recognition and each financial year by examining the financial position of the related party and the market in which the related party operates applying the general approach of the ECL impairment model of PFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay, and incorporating forward-looking information in calculating ECL.

Provision for impairment on receivables amounted to nil in June 2019 and December 2018. The carrying value of receivables amounted to P113,300 and ₱2,654, net of allowance for impairment losses amounting to ₱27,745,249, as at June 30, 2019 and December 31, 2018, respectively (see Note 5).

Provision for impairment loss on advances to related parties amounted to nil and ₱19,322,485 in June 2019 and December 2018, respectively. The carrying value of advances to related parties amounted to P33,586 and nil, net of allowance for impairment losses amounting to ₱23,213,271 as at June 30, 2019 and December 31, 2018, respectively (see Note 10).

Estimating Allowance for Impairment on Investment in an Associate
The Group assesses whether there are any indicators of impairment for investment in an associate at the end of the reporting period. The investment is reviewed for impairment whenever events or circumstances exist which may indicate that the carrying amount of the investment may not be recoverable. The assessment of the recoverability of the investment requires significant judgments and assumptions such as the feasibility and successful development of the exploration activities. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

The carrying values of investment in an associate amounted to nil as at June 30, 2019 and December 2018, respectively. Provision for impairment loss amounted to nil and ₱2,568,162 on June 30, 2019 and December 31, 2018, respectively (see Note 7).

Estimating Impairment on Other Noncurrent Assets
The Group provides allowance for impairment losses on other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other noncurrent assets.

Provision for impairment losses on other noncurrent assets amounted to nil and ₱3,266,356 on June 30, 2019 and December 31, 2018, respectively. The carrying values of Group's other noncurrent assets amounted to ₱39,185 and nil, net of allowance for impairment losses amounting to ₱11,839,115, as at June 30, 2019 and December 31, 2018, respectively (see Note 6).

Estimation of Provisions and Contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at reporting date, net of any estimated amount that may be reimbursed to the Group. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information. The Group did not recognize any provision in June 2019 and December 2018.

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. As at June 30, 2019 and December 31, 2018, no deferred income tax asset was recognized on the Group's deductible temporary differences as management believes that the Group will not be able to generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.

4. Cash

Cash pertains to cash with banks amounting to ₱ 27,181,964 and ₱ 27,534,742 as at June 30, 2019 and December 31, 2018, respectively. Cash with banks earn interest at the prevailing bank deposit rates. Interest income earned amounted to ₱ 5,162 and ₱256,251 for the period ended June 30, 2019 and December 31, 2018, respectively.

5. Receivables

	June 30, 2019	2018
Trade Receivables	**₱26,434,000**	₱26,434,000
Advances to:		
Employees	**113,300**	2,654
Others	**1,311,249**	1,311,249
Other Receivables	–	–
	27,858,549	27,747,903
Less: Allowance for impairment losses	**(27,745,249)**	(27,745,249)
	₱113,300	₱2,654

Trade receivables generally have a thirty (30) day term.

Advances to employees represent the revolving funds given to the employees for the expenses incurred in relation to operations such as travel and representation.

Advances to others represent funds lent to external parties for their working capital requirements. These receivables are non-interest bearing and generally due and demandable. While other receivables pertain to advances paid to an external party which are generally realizable within thirty (30) day term.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized allowance for impairment losses amounting to ₱27,745,249 as at June 30, 2019 and December 31, 2018, covering those receivables specifically identified as impaired. Receivables which were not individually significant and individually significant receivables for which no specific impairment were recognized were assessed and subjected to collective assessment. Based on the assessment done by management, the Group has not recognized any provision for receivables which were assessed collectively.

Movements in allowance for impairment loss were as follows:

	June 2019	December 2018
Beginning balance	₱27,745,249	₱27,745,249
Write-off	–	-
Ending balance	₱27,745,249	₱27,745,249

6. Other Noncurrent Assets

	June 30, 2019	December 2018
Creditable withholding tax	₱2,986,344	₱2,986,344
Input VAT	8,411,504	8,348,727
Deferred input VAT	480,452	504,044
	11,878,300	11,839,115
Less allowance for impairment loss	(11,839,115)	(11,839,115)
	₱39,185	₱-

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs 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.

Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future output tax liability of the Group. Deferred input VAT pertains to the VAT imposed on services rendered but are still unpaid.

Movements in allowance for impairment loss on noncurrent assets were as follows:

	June 30, 2019	2018
Beginning balance	₱11,839,115	₱8,572,759
Provision	-	3,266,356
Ending balance	₱11,839,115	₱11,839,115

Provision was recognized due to management's assessment of its recoverability since the Group is not expecting to recognize any revenue in the near future.

7. Investment in an Associate

	June 30, 2019	2018
Acquisition cost	₱22,998,876	₱22,998,876
Dilution loss	(20,357,469)	(20,357,469)
	2,641,407	2,641,407
Accumulated equity in net losses:		
Beginning balance	(73,245)	(72,801)
Share in loss of an associate	-	(444)
Ending balance	(73,245)	(73,245)

	2018	2017
	2,568,162	2,568,162
Allowance for impairment of investment in associate	**(2,568,162)**	(2,568,162)
	₱–	₱–

On December 21, 2011, the Group acquired from various shareholders 375,000 shares in Masbate10, a company engaged in the exploration and development of mineral resources. As at December 31, 2018 and 2017 the subscribed capital stock of Masbate10 amounted to ₱25,000,000.00 divided into 25,000,000 shares with a par value of ₱1.00 per share.

In 2013, the Group's interest in an associate decreased from fifteen percent (15%) to one and a half percent (1.5%) which resulted to dilution loss amounting to ₱20,357,469.

As at December 31, 2018 and 2017, the Group has one and a half percent (1.5%) equity interest in Masbate10.

The Group exercises significant influence over Masbate10 through common key management personnel, representation in the BOD of two (2) out of five (5) board seats and management agreement with the associate.

The investment in associate is accounted for using the equity method. Share in the associate's net profit or loss amounted to nil and (₱444) for the period ended June 30, 2019 and December 31, 2018, respectively. Further, the Group has recognized full impairment on its investment in associate amounting to ₱2,568,162 in 2018.

The following table presents information on financial position and performance of Masbate10 as at and for the years ended December 31:

	2018	2017
Total Assets	**₱1,371,177**	₱1,369,737
Total Liabilities	**1,400,774**	1,369,711
Total Equity (Capital Deficiency)	**(29,597)**	26
Total Net Loss	**29,623**	30,095

8. Business Combination

Acquisition of Abeilles

On December 28, 2011, the Parent Company acquired ninety-seven percent (97%) of the outstanding shares of Abeilles pursuant to the Deeds of Absolute Sale between the Parent Company and the shareholders of Abeilles. Under the agreement, the total consideration of ₱264.6 million covered the assignment of 97% of the outstanding shares of Abeilles and assignment of advances made by the previous stockholders to Abeilles aggregating ₱276.4 million. The Abeilles account includes the one hundred percent (100%) ownership of outstanding shares of Richground, Geo8, Minevault and Masbate109 and fifteen percent (15%) ownership of outstanding shares of Masbate10.

The NCI in the acquiree was measured at the proportionate share of the acquiree's identifiable net assets.

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of Abeilles as at the date of acquisition were:

	Fair value recognized on acquisition
Assets:	
Cash in banks	₱105,000
Mining rights	254,777,996
Investment in an associate	22,998,876
Other current assets	12,377,506
Liabilities:	
Accrued expenses	55,000
Advances from related parties	4,661,637
	4,716,637
Total identifiable net assets at fair value	285,542,741
NCI	(8,566,282)
Negative goodwill arising on acquisition	(38,976,459)
Purchase consideration	₱238,000,000

The excess of the fair value of the net assets acquired over the purchase price is presented as "Income from acquisition of a subsidiary" account in the consolidated statements of comprehensive income.

The fair value of the mining rights was based on the Mine Valuation Report dated April 30, 2011 which covered the mining claims in Masbate and was prepared by independent appraisers.

In 2014, the mining rights of the Group were assessed to be impaired, due to the denial of the exploration permit applications of the Group. As a result, the Group provided full allowance for impairment loss on its mining rights.

9. Accrued Expenses and Other Current Liabilities

	June 30, 2019	2018
Accrued expenses	**₱4,233,378**	₱4,501,724
Other current liabilities	**2,926,765**	2,929,311
	₱7,160,143	₱7,431,035

Accrued expenses and other current liabilities are non-interest bearing and have an average term of thirty (30) days, but may go beyond depending on the agreement of the involved parties.

Other current liabilities comprise deferred output VAT, withholding tax payable and other government payables. Deferred output VAT arises from rendering of services on account and will be recognized as output VAT upon collection. Withholding taxes are payable fifteen (15) days after the end of each month.

10. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Terms and Conditions of Transactions with Related Parties

Settlements of balances of transactions with related parties are made in cash and payable on demand. Advances to/from related parties are non-interest bearing. This assessment is undertaken each end of the reporting period through examining the financial position of the related party and the market in which the related party operates.

Related party transactions and outstanding balances at gross amounts in the normal course of business with related parties are as follow:

Advances to related parties

Category	Amount/ Volume	Advances to related parties	Terms	Conditions
Associate				
Masbate 10 Philippines, Inc Inc				
June 30, 2019	18,574	5,144,597	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	37,862	5,126,023		
Affiliates through Common Shareholders and Directors				
AC&D Corporate Partners, Inc.				
June 30, 2019	15,012	15,512	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	-	500		
Dizon Copper-Silver Mines, Inc.				
June 30, 2019	-	2,074,776	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	-	2,074,776		
Redridge Resources Corp.				
June 30, 2019	-	500	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	-	500		
AU197 Philippines, Inc.				
June 30, 2019	-	2,478,939	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	-	2,478,939		
Masbate 2145 Philippines, Inc.				
June 30, 2019	-	1,379,160	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	200	1,379,160		
Merco Scientia Exploration, Inc.				
June 30, 2019	-	33,588	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	-	33,588		
Orerich Mines, Inc.				
June 30, 2019	-	200	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	200	200		
Officers and Stockholders				
June 30, 2019	-	12,119,585	Collectible on demand, non-interest bearing, settlement occurs through cash	Unsecured and unguaranteed
2018	2,184,151	12,119,585		
June 30, 2019	33,586	23,246,857		
2018	2,222,413	23,213,271		

Advances from related parties

Category	Amount/ Volume	Advances to related parties	Terms	Conditions
Affiliates through Common Shareholders and Directors				
AU 197 Philippines, Inc.				
June 30, 2019	**₱–**	**₱2,492,215**		Unsecured and unguaranteed
2018	₱–	₱2,492,215	Collectible on demand, non-interest bearing, settlement occurs through cash	
AC&D				
June 30, 2019	**–**	**1,411,285**		Unsecured and unguaranteed
2018	–	1,411,271	Collectible on demand, non-interest bearing, settlement occurs through cash	
Jerry Angping				
June 30, 2019	**435,999**	**1,005,996**		Unsecured and unguaranteed
2018	519,997	569,997	Collectible on demand, non-interest bearing, settlement occurs through cash	
Masbate 2145 Philippines, Inc.				
June 30, 2019	**–**	**49,760**		Unsecured and unguaranteed
2018	–	34,760	Collectible on demand, non-interest bearing, settlement occurs through cash	
Stockholders				
June 30, 2019	**–**	**22,547**		Unsecured and unguaranteed
2018	–	22,547	Collectible on demand, non-interest bearing, settlement occurs through cash	
June 30, 2019	**₱435,999**	**₱4,981,803**		
2018	₱519,997	₱4,530,790		

a. Cash advances to/from related parties were made for working capital requirements and are collectible / payable in cash.

b. The outstanding balances of these related party transactions as of June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019	2018
Advances to related parties	**₱23,246,857**	₱23,213,271
Less allowance for impairment loss	**(23,213,271)**	(23,213,271)
Net advances to related parties	**₱33,856**	₱–

c. Movement in allowance for impairment loss as at December 31, 2018 and 2017 are as follows:

	June 2019	December 2018
Beginning balances	**₱23,213,271**	₱3,890,786
Provision made during the year	**-**	19,322,485
Ending balances	**₱23,213,271**	₱23,213,271

Compensation of Key Management Personnel
The Group has no key management personnel. For the period ended June 30, 2019 and December 31, 2018, the administrative functions of the Group were being handled by a related party.

The Group did not provide or receive guarantees from its related parties.

11. Equity

As at June 30, 2019 and December 31, 2018, capital stock consists of:

	June 30, 2019	December 31, 2018
Common shares - ₱1 par value		
Authorized - 3,500,000,000 shares		
Issued shares - 2,522,105,615 shares	₱2,522,105,615	₱2,522,105,615
Subscribed shares - 977,894,385 shares	977,894,385	977,894,385
Subscription receivable - 977,894,385 shares	(714,313,928)	(714,313,928)
	₱2,785,686,072	₱2,785,686,072

Issuances of shares of stock of the Parent Company approved by the SEC were as follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
February 7, 1972	Initial Public Offering	1,961,637,701	₱1.00
April 11, 2007	Stock Rights	560,467,914	₱1.00

On March 1, 2007, the Parent Company engaged the services of J.P. Morgan Securities Asia Private Limited (JP Morgan) as its exclusive financial advisor in connection with certain transactions between the Parent Company and any of its affiliates relating to its portfolio of mining tenements. In consideration of the services rendered by J.P. Morgan, the Parent Company offered to issue new shares out of the authorized but unissued capital stock of the Parent Company with an aggregate par value of ₱25.5 million. On October 14, 2008, the SEC issued a Certificate of Approval of Valuation of the liability to J.P. Morgan in the amount of ₱25.5 million as payment for the additional shares of 25,475,814 with a par value of ₱1.00 per share. Subsequently, the Parent Company submitted its application to PSE for the listing of the shares to be issued to J.P. Morgan. On January 30, 2009, the PSE considered the shares as abandoned until the Parent Company has submitted a valid Mineral Production Sharing Agreement (MPSA). As at June 30, 2019, the Parent Company has not yet submitted a valid MPSA.

On May 5, 2011, the Parent Company's BOD approved the issuance, via private placement investment from various shareholders, of 952,418,571 shares of the Parent Company at ₱1.00 per share. The subscription price of ₱1.00 per share reflects a premium over the ₱0.63 closing price of the Parent Company's shares as at May 5, 2011. The payment terms were as follows: (a) twenty-five percent (25%) of the subscription price shall be paid upon the execution of the Subscription Agreements; and (b) the balance of the subscription price shall be paid upon call by the BOD.

Funds raised from the private placement of shares were intended to be used for the acquisition of mining tenements where the Parent Company can already exercise its option to purchase.

12. Financial Risk Management Objectives and Policies and Capital Management

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as, advances to/from related parties and accrued expenses, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equivalent to the carrying amount of cash and receivables.

The BOD reviews and agrees policies for managing its credit risk. The Group trades only with related parties and creditworthy financial institutions and third parties.

The table below shows the maximum exposure to on and off credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit mitigation techniques.

	June 30, 2019	2018
Cash	₱27,181,964	₱27,534,742
Advances to related parties	33,586	–
	₱27,215,550	₱27,534,742

As at June 30, 2019 and December 31, 2018, the credit quality and aging of the Group's financial assets are as follows:

	Neither Past Due nor Impaired				
June 30, 2019	High Grade	Standard Grade	Past due but not Impaired	Individually Impaired	Total
Cash	₱27,181,964	₱–	₱–	₱–	₱27,181,964
Advances to related parties	–	33,586	–	23,213,271	23,246,857
	₱27,181,964	₱33,586	–	₱23,213,271	₱50,428,821

	Neither Past Due nor Impaired				
2018	High Grade	Standard Grade	Past due but not Impaired	Individually Impaired	Total
Cash	₱27,534,742	₱–	₱–	₱–	₱27,534,742
Receivables	–	–	–	27,745,249	27,745,249
Advances to related parties	–	–	–	23,213,271	23,213,271
	₱27,534,742	₱–	₱–	₱50,958,520	₱78,493,262

Credit quality of Financial Assets
The credit quality of financial assets is managed by the Group using credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults or no repayment dates.

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash with banks are assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.

The Group has no significant concentration of credit risk in relation to its cash with banks and receivables as at December 31, 2018 and 2017.

Liquidity Risk
Liquidity risk is the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management.

The Group's exposure to liquidity risk relate to raising funds. The Group manages its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

The following table summarizes the maturity profile of the Group's financial liabilities as at June 30, 2019 and December 31, 2018, based on contractual undiscounted cash flows. The analysis into relevant maturity groupings is based on the remaining term at the end of the reporting period to the contractual maturity dates.

June 30, 2019	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Total
Accrued expenses	₱–	₱–	₱–	₱4,233,378	₱–	₱4,233,378
Advances from related parties	–	435,999	–	4,981,804	–	5,417,803
	₱–	₱435,999	₱–	₱9,215,182	₱–	₱9,651,181

2018	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Total
Accrued expenses	₱–	₱–	₱–	₱4,501,724	₱–	₱4,501,724
Advances from related parties	–	–	–	4,530,790	–	4,530,790
	₱–	₱–	₱–	₱9,032,514	₱–	₱9,032,514

Accrued expenses and other liabilities are normally settled within twelve (12) months. Financial assets available to settle these financial liabilities as at June 30, 2019 and December 31, 2018 are summarized below:

June 30, 2019	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Total
Cash	₱27,181,964	₱–	₱–	₱–	₱–	₱27,181,964
Advances to related parties	–		33,586	–	–	33,586
	₱27,181,964	₱–	₱33,586	₱–	₱–	₱27,215,550

2018	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Total
Cash	₱27,534,742	₱–	₱–	₱–	₱–	₱27,534,742
Advances to related parties	–	–	–	–	–	–
	₱27,534,742	₱–	₱–	₱–	₱–	₱27,534,742

Capital Management
The primary objective of the Group's management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes appropriate adjustments in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital in June 30, 2019 and 2018.

The table below summarizes the capital considered by the Group:

	June 30, 2019	December 31 ,2018
Capital stock	**₱2,785,686,072**	₱2,785,686,072
Deficit	**(2,770,284,702)**	(2,769,935,701)
	₱15,401,370	₱15,750,371

13. Fair Value Measurement

Cash, Advances to or from Related Parties, and Accrued Expenses and Other Liabilities
Due to the short-term nature of the transactions the carrying values of these financial assets and liabilities approximate their fair values as of financial reporting date.