SOCResources, Inc.
4th Flr. ENZO Building 399 Senator Gil Puyat Avenue, Makati City
Metro Manila, Philippines 1200

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SOCResources, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SYCIP GORRES VELAYO & CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

EDGARDO P. REYES
Chairman/Chief Executive Officer

WILFRIDO P. REYES
President

BELEN R. CASTRO
Vice President/Treasurer

ZOSIMO L. PADRO, JR.
Vice President - Finance

MAKATI CITY

SUBSCRIBED AND SWORN to before me this APR 24 2019 day of ______ 2019 affiants exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes	OSCA	29858	Mar 25, 2009	Makati City	N/A
Wilfrido P. Reyes	OSCA	14683	Feb 05, 2007	Makati City	N/A
Belen R. Castro	OSCA	23231	Apr 29, 2008	Makati City	N/A
Zosimo L. Padro, Jr.	IBP	36869	N/A	Manila	N/A

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-J... UNTIL DEC. 31, 2020
ROLL OF ATTY. NO. 48343
MCLE COMPLIANCE NO. ...676/4-11-2018
IBP O.R No.70...62-LIFETIME ... JAN. 29, 2007
PTR No.7333020- JAN 03, 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST
MAKATI CITY

Notary Public

Doc. No.: 262;
Page No.: 34;
Book No.: 60;
Series of 2019.

SOCResources, Inc.

Parent Company Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report

SGV

Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SOCResources, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SOCResources, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOCResources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

April 30, 2019

SOCRESOURCES, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱418,578,909**	₱50,023,289
Short-term investments (Note 5)	**–**	255,823,471
Receivables (Note 6)	**4,960,503**	4,137,905
Due from related parties (Note 15)	**230,703**	191,619
Prepayments and other current assets (Note 7)	**5,180,109**	4,810,938
Total Current Assets	**428,950,224**	335,010,511
Noncurrent Assets		
Debt investments at fair value through profit or loss (FVTPL) (Note 9)	**–**	–
Equity investments at fair value through other comprehensive income (FVTOCI) (Note 8)	**52,290,036**	–
Available-for-sale (AFS) financial assets (Note 8)	**–**	53,445,971
Advances to and investment in a subsidiary (Notes 10 and 15)	**1,323,498,241**	1,432,826,901
Property and equipment (Note 11)	**2,496,267**	2,134,534
Other noncurrent assets	**11,375**	409,166
Total Noncurrent Assets	**1,378,295,919**	1,488,816,572
TOTAL ASSETS	**₱1,807,246,143**	₱1,803,803,794
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities (Note 12)	**₱898,945**	₱1,061,553
Noncurrent Liabilities		
Retirement benefits obligation (Note 13)	**3,921,215**	3,789,024
Deferred tax liabilities - net (Note 14)	**3,498,750**	1,848,750
Total Noncurrent Liabilities	**7,419,965**	5,637,774
Total Liabilities	**8,319,910**	6,699,327
Equity		
Common stock - ₱1 par value, Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares in 2018 and 2017	**600,559,569**	600,559,569
Subscribed - 306,000,000 shares in 2018 and 2017 (net of subscription receivable of ₱229,500,000 in 2018 and 2017)	**76,500,000**	76,500,000
Additional paid-in capital	**72,272,140**	72,272,140
Retained earnings:		
Appropriated	**745,000,000**	745,000,000
Unappropriated	**287,374,864**	292,950
Other comprehensive income (Notes 8 and 13)	**22,182,310**	14,784,177
Treasury stock	**(4,961,650)**	(4,961,650)
Equity	**1,798,927,233**	1,797,104,467
TOTAL LIABILITIES AND EQUITY	**₱1,807,246,143**	₱1,803,803,794

See accompanying Notes to Parent Company Financial Statements.

SOCRESOURCES, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
INCOME		
Interest income (Notes 4 and 5)	**₱9,924,646**	₱4,987,980
Dividend income (Note 8)	**409,612**	350,056
Foreign exchange gains - net	**327,811**	25,803
Realized gain on debt investments at FVTPL (Note 9)	**91,745**	–
Realized gain on redemption of Unit Investment Trust Fund (UITF) (Notes 8 and 9)	–	257,841
	10,753,814	5,621,680
COSTS AND EXPENSES		
Research and development costs	**(4,472,601)**	(3,237,382)
Personnel costs	**(3,793,716)**	(3,642,095)
Professional fees	**(2,663,100)**	(2,700,135)
Travel and transportation	**(2,389,302)**	(1,896,299)
Depreciation (Note 11)	**(587,568)**	(130,821)
Exploration cost	**(356,745)**	–
Taxes and licenses	**(271,724)**	(282,632)
Rent and utilities (Note 17)	**(252,100)**	(225,672)
Telecommunications and postage	**(188,652)**	(209,902)
Supplies	**(169,120)**	(109,950)
Trainings and seminars	**(146,880)**	(219,595)
Dues and subscription	**(104,600)**	(97,500)
Repairs and maintenance	**(86,290)**	(117,714)
Others	**(952,155)**	(1,130,724)
	(16,434,553)	(14,000,421)
LOSS BEFORE INCOME TAX	**(5,680,739)**	(8,378,741)
PROVISION FOR INCOME TAX (Note 14)	–	–
NET LOSS	**(5,680,739)**	(8,378,741)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Unrealized valuation gains on AFS financial assets, net of deferred income tax (Note 8)	–	736,513
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Unrealized valuation gains on equity investments at FVTOCI, net of deferred income tax (Note 8)	**7,299,437**	–
Actuarial gain on defined benefit plan (Note 13)	**204,068**	116,362
	7,503,505	852,875
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,822,766**	(₱7,525,866)
Basic/Diluted Loss Per Share (Note 19)	**(₱0.0063)**	(₱0.0093)

See accompanying Notes to Parent Company Financial Statements

SOCRESOURCES, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock (Note 16)		Additional	Retained Earnings(Note 16)		Other Comprehensive Income	Treasury Stock	
	Issued	Subscribed	Paid-in Capital	Appropriated	Unappropriated	(Notes 8 and 13)	(Note 16)	Total
BALANCES AT DECEMBER 31, 2016	**₱600,559,569**	**₱76,500,000**	**₱72,272,140**	**₱745,000,000**	**₱301,328,972**	**₱13,931,302**	**(₱4,961,650)**	**₱1,804,630,333**
Net loss	–	–	–	–	(8,378,741)	–	–	(8,378,741)
Other comprehensive income	–	–	–	–	–	852,875	–	852,875
Total comprehensive loss	–	–	–	–	(8,378,741)	852,875	–	(7,525,866)
BALANCES AT DECEMBER 31, 2017	**₱600,559,569**	**₱76,500,000**	**₱72,272,140**	**₱745,000,000**	**₱292,950,231**	**₱14,784,177**	**(₱4,961,650)**	**₱1,797,104,467**
BALANCES AT JANUARY 1, 2018	**₱600,559,569**	**₱76,500,000**	**₱72,272,140**	**₱745,000,000**	**₱292,950,231**	**₱14,784,177**	**(₱4,961,650)**	**₱1,797,104,467**
Effect of adoption of PFRS 9, *Financial Instruments* (Note 2)	–	–	–	–	105,372	(105,372)	–	–
BALANCES AS AT JANUARY 1, 2018, AS ADJUSTED	**600,559,569**	**76,500,000**	**72,272,140**	**745,000,000**	**293,055,603**	**14,678,805**	**(4,961,650)**	**1,797,104,467**
Net loss	–	–	–	–	(5,680,739)	–	–	(5,680,739)
Other comprehensive income	–	–	–	–	–	7,503,505	–	7,503,505
Total comprehensive income	–	–	–	–	(5,680,739)	7,503,505	–	1,822,766
BALANCES AT DECEMBER 31, 2018	**₱600,559,569**	**₱76,500,000**	**₱72,272,140**	**₱745,000,000**	**₱287,374,864**	**₱22,182,310**	**(₱4,961,650)**	**₱1,798,927,233**

See accompanying Notes to Parent Company Financial Statements.

SOCRESOURCES, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱5,680,739)**	(₱8,378,741)
Adjustments for:		
Interest income (Notes 4 and 5)	**(9,924,646)**	(4,987,980)
Depreciation and amortization (Note 11)	**587,568**	130,821
Dividend income (Note 8)	**(409,612)**	(350,056)
Retirement benefit expense (Note 13)	**336,259**	302,468
Unrealized foreign exchange gain	**(327,811)**	(25,803)
Gain on debt investments at FVTPL (Note 8)	**(84,419)**	–
Loss on retirement of property and equipment	**42,750**	–
Gain on redemption of UITF (Note 8)	**(7,326)**	(257,841)
Operating loss before working capital changes	**(15,467,976)**	(13,567,132)
Changes in:		
Receivables	**(52,197)**	(21,611)
Prepayments and other assets	**(369,171)**	(517,161)
Accounts payable and other liabilities	**(162,608)**	577,008
Cash used in operations	**(16,051,952)**	(13,528,896)
Interest received	**9,164,229**	1,741,541
Net cash flows used in operating activities	**(6,887,723)**	(11,787,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of short term investments	**255,823,471**	–
Redemption of UITF	**10,197,117**	130,257,841
Payment received from a related party	**109,289,576**	125,335,666
Acquisition of:		
Property and equipment (Note 11)	**(992,051)**	(2,205,727)
Short-term investments	**–**	(252,573,205)
Financial assets (Note 8)	**–**	(140,000,000)
Dividends received	**399,628**	339,683
Decrease (increase) in other noncurrent assets	**397,791**	(409,166)
Net cash flows generated from (used in) investing activities	**375,115,532**	(139,254,908)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**327,811**	25,803
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**368,555,620**	(151,016,460)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**50,023,289**	201,039,749
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱418,578,909**	₱50,023,289

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information and Approval and Authorization of the Parent Company Financial Statements

Corporate Information

SOCResources, Inc. [formerly South China Resources, Inc.] (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land; the Subsidiary) was incorporated in the Philippines and registered with the SEC on November 25, 2010 (see Note 10).

The registered office address of the Parent Company is 4th floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

Approval of the Parent Company Financial Statements

The parent company financial statements as at December 31, 2018 and 2017 and for the years then ended were approved and authorized for issue by the BOD on April 30, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis except for AFS financial assets, debt instruments designated at fair value through profit or loss (FVTPL) and equity investments at fair value through other comprehensive income (FVTOCI) that have been measured at fair value. The parent company financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The Parent Company's separate financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the parent company financial statements.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

Effective beginning or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing PFRS 17, *Insurance Contracts*, which replaces PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

- Amendments to Philippine Accounting Standard (PAS) 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

- PFRS 15 *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Parent Company adopted PFRS 15 using the modified retrospective method of adoption.

  The adoption of PFRS 15 did not change the timing of revenue recognition and amount of revenue to be recognized as the Parent Company's previous practice relating to recognition of revenue is consistent with PFRS 15.

- PFRS 9, *Financial Instruments*
  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Parent Company applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Parent Company has not restated the comparative information, which continues to be reported under PAS 39.

  The impact of the adoption is described below:

  (a) Classification and measurement

  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: the Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Parent Company's business model was made as of the date of initial application, January 1, 2018, and then applied to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classifications of the Parent Company's financial assets.

- Cash and cash equivalents, short-term investments, receivables, security deposit presented under prepayments and other current assets and due from related parties previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.

- Unit investment trust funds (UITF) previously classified as available-for sale (AFS) financial assets are classified and measured as debt instruments designated at FVTPL beginning January 1, 2018. The Parent Company expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

- Golf club shares previously classified as AFS financial assets are classified and measured as equity instruments measured at FVTOCI beginning January 1, 2018. The Parent Company elected to classify irrevocably its golf club shares investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

- Listed equity investments previously classified as AFS financial assets are classified and measured as equity instruments measured at FVTOCI beginning January 1, 2018. The Parent Company expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

As a result of the change in classification of the Parent Company's UITF, the AFS reserve of ₱0.11 million related to those investments that were previously presented under accumulated OCI, was reclassified to retained earnings as at January 1, 2018, resulting in a decrease in other comprehensive income and an increase in retained earnings of ₱0.11 million.

The Parent Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Parent Company's financial liabilities.

In summary, upon the adoption of PFRS 9, the Parent Company had the following required or elected reclassifications as at January 1, 2018:

		PFRS 9 measurement category		
	Balances	**Fair value through profit or loss**	**Amortized cost**	**Fair value through OCI**
PAS 39 measurement category				
Loans and receivables				
Cash in banks and cash equivalents	₱50,008,289	₱–	₱50,008,289	₱–
Short-term investments	255,823,471	–	255,823,471	–
Receivables	4,137,905	–	4,137,905	–
Security deposit	86,184	–	86,184	–
Due from related parties	1,110,720,250	–	1,110,720,250	–

(Forward)

		PFRS 9 measurement category		
	Balances	**Fair value through profit or loss**	**Amortized cost**	**Fair value through OCI**
Loans and receivables				
Listed equity investments	₱19,090,599	₱–	₱–	₱19,090,599
Golf club shares	24,250,000	–	–	24,250,000
UITF	10,105,372	10,105,372	–	–
	₱1,474,222,070	₱10,105,372	₱1,420,776,099	₱43,340,599

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Parent Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Parent Company to record an allowance for impairment losses for all loans and other debt financial assets not held at fair value through profit or loss (FVTPL).

Upon adoption of PFRS 9, the Parent Company did not recognize any impairment loss on the Parent Company's cash in bank and cash equivalents and receivables.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

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

Early adoption is permitted, but not before as entity applies PFRS 15. 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 Parent Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to PFRSs 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *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*

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 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

<u>Current versus Noncurrent Classification</u>
The Parent Company presents assets and liabilities in the parent company statement of financial position based on whether it is current and noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Parent Company classifies all other liabilities as noncurrent.

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

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

The principal or the most advantageous market must be accessible to the Parent Company. 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 Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

As of December 31, 2018 and 2017, the Parent Company has no non-financial asset carried at fair value.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments includes investments that the Parent Company has made that is expected to be converted into cash within one year.

Financial Instruments

Financial Instruments – initial recognition and subsequent measurement effective January 1, 2018

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15.

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

The Parent Company'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 Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Parent Company. The Parent Company 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.

Financial assets at amortized cost are subsequently measured using the effective interest rate (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 Parent Company's financial assets at amortized cost includes cash and cash equivalents, short-term investments, receivables, security deposit presented under prepayments and other current assets and due from related parties.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the parent company statement of comprehensive income when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Parent Company elected to classify irrevocably its listed equity investments and golf club shares under this category.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the parent company statement of financial position at fair value with net changes in fair value presented as "gain on debt instruments at FVTPL" (positive net changes in fair value) or "loss on debt instruments at FVTPL" (negative net changes in fair value) in profit or loss.

As of December 31, 2018, this category includes the Parent Company's investment in UITF.

Derecognition
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 Parent Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or,
- the Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company 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 Parent Company could be required to repay.

Impairment of financial assets
Beginning January 1, 2018, upon adoption of PFRS 9, the Parent Company recognizes an allowance for ECLs for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. 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). For those credit exposures 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).

For receivables that do not contain significant financing component, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVTOCI, the Group applies the low credit risk simplification. At every reporting date, the Parent Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Parent Company reassesses the internal credit rating of the debt instrument.

For financial assets at amortized costs being individually assessed for ECLs, the Parent Company applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risks investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Parent Company uses the ratings from the external credit rating agencies to determine whether the debt instruments has significantly increased in credit risk and estimate ECLs.

The Parent Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include accounts payable and other liabilities (excluding statutory payables).

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

Loans and borrowings
This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings 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 parent company statement of comprehensive income.

Derecognition
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 parent company statement comprehensive income.

c. Offsetting of financial instruments

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

Financial Instruments – initial recognition and subsequent measurement prior to January 1, 2018

Date of Recognition
Financial instruments are recognized in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. The Parent Company

determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVTPL), the initial measurement of financial assets includes transaction costs.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the amount of "Day 1" difference.

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

Financial assets are further classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Parent Company has no financial assets or liabilities at FVTPL and HTM investments as of December 31, 2017.

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Parent Company's loans and receivables consist of cash and cash equivalents, short-term investments, receivables, security deposit presented under prepayments and other current assets and due from related parties.

AFS Financial Assets

AFS financial assets include equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVTPL. Debt securities under this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in profit or loss. Interest earned while holding AFS financial assets is reported as interest income using EIR method.

The Parent Company evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Parent Company is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Parent Company may elect to reclassify these financial assets.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVTPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Parent Company's other financial liabilities consist of accounts payable and other liabilities (excluding statutory payables) as of December 31, 2017.

Impairment of Financial Assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets Carried at Fair Value
In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

Prepayments and Other Current Assets

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

Input Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds from sales of goods and/or services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Any excess which will be claimed as tax credits within twelve (12) months or within the normal operating cycle is presented as part of "Prepayments and other current assets" in the parent company statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Transportation equipment	5
Office furniture and equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Investment in a Subsidiary
Investment in a subsidiary is accounted for at cost less any impairment in value. A subsidiary is an entity which the Parent Company controls. A company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All dividends received are reflected as income in profit or loss.

The Parent Company recognizes income from its investment in a subsidiary when its right to receive dividends is established. As of December 31, 2018 and 2017, the Parent Company's investment in subsidiary pertains to its investment in SOC Land, a company incorporated and domiciled in the Philippines.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit'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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets, 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 Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Retirement Benefits
The Parent Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through profit or loss in the period in which they occur. Re-measurements are not reclassified to the parent company statement in comprehensive loss in subsequent periods.

Common Stock and Additional Paid-in Capital
The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares. Subscription receivable is presented as deduction from equity if the subscription receivable is not expected to be collected within 12 months after reporting period. Otherwise, the subscription receivable is presented as current asset.

Retained Earnings
The amount included in retained earnings includes profit and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Treasury Stock
Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on

the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Parent Company and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

Interest Income
For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Effective interest is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses incurred in the general administration of day-to-day operation of the Parent Company are generally recognized when the service is used or the expense arises.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Parent Company can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use.

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 recoverable from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the parent company statement of financial position.

If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Prepayments and other current assets" account in the parent company statement of financial position.

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized.

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

Deferred income tax relating to items recognized directly in equity is recognized in OCI and not in profit or loss.

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the foreign exchange rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Parent Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

The parent company financial statements prepared in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

Judgment

Assessment of Impairment of Nonfinancial Assets

The Parent Company assesses impairment on property and equipment, investment in a subsidiary, input VAT and prepayments whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

As of December 31, 2018 and 2017, there were no impairment indicator that would lead to impairment analysis.

<u>Estimates and Assumptions</u>

Impairment Losses on Receivables – PAS 39

The Parent Company reviews the balance of receivables, security deposit and due from related parties at each reporting date to assess whether impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Parent Company's assessment of the accounts since their inception.

There was no allowance for impairment losses on receivables as of December 31, 2017. The aggregate carrying amount of receivables amounted to ₱4.14 million as of December 31, 2017 (see Note 6).

Impairment of AFS Financial Assets – PAS 39

The Parent Company treats financial assets at FVTOCI as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more of the cost of financial assets and 'prolonged' if greater than six months. In addition, the Parent Company evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Parent Company also considers the ability of the investee to provide dividends.

The carrying amounts of AFS financial assets amounted to ₱53.45 million as of December 31, 2017 (see Note 8). The change in the fair value of the financial assets is recorded as "Unrealized valuation gains on AFS financial assets" account in the equity section of the parent company statements of financial position. As of December 31, 2017, the unrealized valuation gains on AFS financial assets amounted to ₱14.45 million, respectively (see Note 8).

Recognition of Deferred Income Tax Assets

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As of December 31, 2018 and 2017, the Parent Company did not recognize deferred income tax assets on deductible temporary differences and carryforward benefits of unused NOLCO amounting to ₱10.01 million and ₱12.01 million, respectively (see Note 14).

4. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	**₱14,981,717**	₱16,655,914
Cash equivalents	**403,597,192**	33,367,375
	₱418,578,909	₱50,023,289

Cash in banks amounting to ₱14.97 million earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates.

Interest income earned amounted to ₱7.16 million and ₱1.74 million in 2018 and 2017, respectively. Outstanding accrued interest receivable related to the cash equivalents amounted to ₱0.78 million and ₱0.02 million as of December 31, 2018 and 2017, respectively (see Note 6).

5. Short-Term Investments

In 2017, the Parent Company acquired investments in government securities bearing interest ranging from 2.85% to 3.00%, maturing in 2018. The Parent Company sold the short-term investments. Interest earned amounted to ₱2.76 million and ₱3.25 million in 2018 and 2017, respectively.

6. Receivables

	2018	2017
Receivable from officers and employees	**₱4,073,808**	₱4,021,611
Accrued interest (Note 4)	**777,823**	17,406
Others	**108,872**	98,888
	₱4,960,503	₱4,137,905

Receivables from officers and employees pertain to advances which are settled through liquidation.

Other receivables as of December 31, 2018 and 2017 include receivable for cash dividends declared by domestic corporation for which the Company owns shares amounting to ₱0.09 million and ₱0.10 million, respectively. This is expected to be collected within the next financial year.

No impairment loss on receivables was recognized in 2018 and 2017.

7. Prepayments and Other Current Assets

	2018	2017
Prepayments	**₱3,547,111**	₱3,486,487
Input VAT	**1,509,925**	1,196,820
Security deposit (Note 17)	**88,920**	86,184
Supplies	**33,527**	22,341
Others	**626**	19,106
	₱5,180,109	₱4,810,938

Prepayments consists of prepaid taxes and insurance.

8. Equity Investments at FVTOCI/AFS Financial Assets

	2018	2017
Listed equity investments	**₱17,040,036**	₱19,090,599
Golf club shares	**35,250,000**	24,250,000
Unit investment trust funds (UITF)	**–**	10,105,372
	₱52,290,036	₱53,445,971

The Company's AFS financial assets pertain to investments in shares of stock of various publicly-listed companies, golf club shares and UITF investments. Listed equity investments and golf club shares are classified and measured as equity instruments measured at FVTOCI beginning January 1, 2018.

The fair values of the shares of stock are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange.

The fair value of quoted club share is determined by reference to published price quotation.

Dividend income earned from equity investments at FVTOCI/AFS financial assets amounted to ₱0.41 million, ₱0.35 million in 2018 and 2017, respectively.

Realized gain on redemption of UITF amounted to ₱0.26 million in 2017.

The roll forward of net changes in fair value of equity investments at FVTOCI/AFS financial assets during the years ended December 31 are as follows:

	2018	2017
Balance at beginning of year	**₱14,449,049**	₱13,712,536
Adoption of PFRS 9	**(105,372)**	–
Balance at beginning of year, as adjusted	**14,343,677**	13,712,536
Fair value adjustments	**7,299,437**	994,354
Unrealized valuation gain on certain AFS investments reclassified from other comprehensive income to profit or loss	**–**	(257,841)
Balances at end of year	**₱21,643,114**	₱14,449,049

9. Debt Investments at FVTPL

This account pertains to investment in UITF from China Banking Corporation (CBC), previously classified as available-for sale (AFS) financial assets, which was reclassified and measured as debt instruments designated at FVTPL beginning January 1, 2018. The reconciliation of the carrying amounts of debt investments at FVTPL as of December 31, 2018 follows:

Balance at beginning of year, as previously reported	**₱–**
Adoption of PFRS 9	**10,105,372**
Balance at beginning of year, as adjusted	**10,105,372**
Fair value adjustments	**91,745**
Disposal during the year	**(10,197,117)**
Balances at end of year	**₱–**

10. Advances to and Investment in a Subsidiary

The Parent Company's investment in a subsidiary pertains to its 100% equity interest in SOC Land (see Note 1). In November 2010, the Parent Company subscribed to and paid for 40,000,000 shares and 10,000,000 shares in SOC Land, respectively. The total cost of the investment amounted to ₱10.0 million.

SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The primary purpose of SOC Land is to deal and engage in real estate business.

On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of ₱321.0 million. As of December 31, 2010, the Parent Company classified the land under "Investment property" in the parent company statement of financial position at cost of ₱321.0 million which approximates its fair value. On March 4, 2011, the Parent Company transferred this investment property with fair value of ₱312.3 million, in exchange for 312,298 additional shares in SOC Land.

The registered office address of SOC Land is 4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

Details of investment in and advances to a subsidiary as of December 31, 2018 and 2017 are as follows:

	2018	2017
Investment	**₱1,001,200,241**	₱1,001,200,241
Advances	**230,703**	191,619
	₱1,001,430,944	₱1,001,391,860

11. Property and Equipment

December 31, 2018

	Transportation Equipment	**Office Furniture and Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balances at beginning of year	**₱14,296,757**	**₱2,738,265**	**₱458,886**	**₱17,493,908**
Additions	**70,402**	**921,649**	**–**	**992,051**
Retirement	**–**	**(45,000)**	**–**	**(45,000)**
Balances at end of year	**14,367,159**	**3,614,914**	**458,886**	**18,440,959**
Accumulated depreciation and amortization				
Balances at beginning of year	**13,084,754**	**1,815,734**	**458,886**	**15,359,374**
Depreciation and amortization	**259,455**	**328,113**	**–**	**587,568**
Retirement	**–**	**(2,250)**	**–**	**(2,250)**
Balances at end of year	**13,344,209**	**2,141,597**	**458,886**	**15,944,692**
Net book values	**₱1,022,950**	**₱1,473,317**	**₱–**	**₱2,496,267**

December 31, 2017

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱13,020,964	₱1,808,331	₱458,886	₱15,288,181
Additions	1,275,793	929,934	–	2,205,727
Balances at end of year	14,296,757	2,738,265	458,886	17,493,908
Accumulated depreciation and amortization				
Balances at beginning of year	13,020,964	1,748,703	458,886	15,228,553
Depreciation and amortization	63,790	67,031	–	130,821
Balances at end of year	13,084,754	1,815,734	458,886	15,359,374
Net book values	₱1,212,003	₱922,531	₱–	₱2,134,534

Fully depreciated property and equipment

As of December 31, 2018 and 2017, the cost of fully depreciated property and equipment amounted to ₱13.5 million. These are retained in the records and still used by the Parent Company until these are disposed.

12. Accounts Payable and Other Liabilities

	2018	2017
Accrued expenses	**₱708,934**	₱920,758
Accounts payable	**138,549**	68,256
Statutory payables	**51,462**	72,539
	₱898,945	₱1,061,553

Accrued expenses are expected to be settled within the next financial year.

Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days terms.
Statutory payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund and withholding tax payables which have an average term of 15 to 30 days.

13. **Retirement Benefits Obligation**

The Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. Republic Act (RA) No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2018.

The following tables summarize the components of retirement benefit expense:

	2018	2017
Current service cost	**₱173,331**	₱172,763
Interest cost	**162,928**	129,705
	₱336,259	₱302,468

Amounts recognized in comprehensive income pertaining to actuarial gain amounted to a gain of ₱204,068 and ₱116,362 in 2018 and 2017, respectively.

Changes in the present value of the defined benefit obligation are as follows:

	2018	2017
Beginning defined benefit obligation	**₱3,789,024**	₱3,602,918
Current service cost	**173,331**	172,763
Interest cost	**162,928**	129,705
Actuarial loss (gain) due to:		
Experience adjustments	**383**	(46,163)
Changes in demographic assumptions	**57,724**	–
Changes in financial assumptions	**(262,175)**	(70,199)
Ending defined benefit obligation	**₱3,921,215**	₱3,789,024

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension benefit obligations for the plan are shown below:

	2018	2017
Discount rate	**7.00%**	4.30%
Future salary increase	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming if all other assumptions were held constant.

December 31, 2018

	Increase (decrease) in basis points (bps)	Effect on defined benefit obligation
Discount rates	**100 bps**	**(₱64,039)**
	(100) bps	**71,358**
Future salary increases	**100 bps**	**74,054**
	(100) bps	**(67,433)**

December 31, 2017

	Increase (decrease) in basis points (bps)	Effect on defined benefit obligation
Discount rates	100 bps	(₱89,910)
	(100) bps	102,433
Future salary increases	100 bps	102,750
	(100) bps	(91,815)

Shown below is the maturity analysis of the undiscounted expected benefit payments:

	2018	2017
Less than one year	**₱3,615,068**	₱2,394,725
More than one year to 10 years	**719,370**	1,708,805
More than 10 years to 30 years	**2,587,575**	1,968,521

The estimated weighted average duration of the defined benefit obligations is 5 years as at December 31, 2018.

14. Income Taxes

a. The reconciliation of benefit from income tax computed at statutory income tax rate to provision for income tax follows:

	2018	2017
Benefit from income tax at statutory tax rate	**(₱1,704,222)**	(₱2,513,622)
Adjustments resulting from tax effects of:		
NOLCO for which no deferred income tax asset was recognized during the year	**3,753,379**	3,296,738
Interest income subjected to final tax	**(2,977,394)**	(1,496,394)
Nondeductible expenses	**977,766**	812,647
Nontaxable income	**(150,407)**	(182,369)
Deductible temporary difference for which no deferred income tax asset was recognized	**100,878**	83,000
Provision for income tax	**₱–**	₱–

b. The Parent Company's net deferred income tax liabilities recognized as of December 31, 2018 and 2017 are as follows:

	2018	2017
Deferred income tax asset on NOLCO	**₱289,776**	₱191,432
Deferred income tax liabilities on:		
Unrealized foreign exchange gain	**(289,776)**	(191,432)
Unrealized valuation gains on financial assets at FVTOCI	**(3,498,750)**	(1,848,750)
	(3,788,525)	(2,041,182)
Net deferred income tax liabilities	**(₱3,498,750)**	(₱1,848,750)

As of December 31, 2018, deferred income tax liability consists of provision for deferred tax recognized in other comprehensive income amounting to ₱3.50 million and ₱1.85 million in 2018 and 2017, respectively.

No deferred income tax assets were recognized on the following deductible temporary differences and carryforward benefits of unused NOLCO as of December 31 since management believes that it is not probable that sufficient future taxable profit will be available in the near future to allow the benefit of the deferred income tax assets to be utilized:

	2018		2017	
	Gross Amount	**Tax Effect**	Gross Amount	Tax Effect
NOLCO	**₱33,611,173**	**₱10,083,352**	₱40,023,610	₱12,007,083
Pension liability	**3,921,215**	**1,176,365**	3,789,024	1,136,707
Allowance for impairment losses on financial assets at FVTOCI	**7,263**	**2,179**	7,263	2,179
	₱37,539,615	**₱11,261,896**	₱43,819,897	₱13,145,969

c. The Parent Company's NOLCO that can be claimed as deduction against future taxable income are as follows:

Year Incurred	Balance as of December 31, 2017	Addition	Expiration/ Utilization	Balance as of December 31, 2018	Tax effect	Available Until
2015	₱18,923,702	₱–	₱18,923,702	₱–	₱–	2018
2016	10,748,890	–	–	10,748,890	₱3,224,667	2019
2017	10,989,125	–	–	10,989,125	3,296,738	2020
2018	–	12,839,075	–	12,839,075	3,851,723	2021
	₱40,661,717	₱12,839,075	₱18,923,702	₱34,577,090	₱10,373,128	

15. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company 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.

In the normal course of business, the Parent Company has the following significant related party transactions:

	Amount/volume		Outstanding balance			
	2018	2017	**2018**	2017	Terms	Conditions
Subsidiary:						
SOC Land						
Due from related parties (a)	**(₱109,328,660)**	(₱125,348,249)	**₱1,001,200,241**	₱1,110,528,901	Within one year; noninterest bearing	Unsecured; No impairment
Other related parties:						
South China Petroleum International (SCPI)						
Advances from related parties (b)	**39,084**	12,583	**230,703**	191,619	Due and demandable; noninterest bearing	Unsecured; No impairment
Total			**₱1,001,430,944**	₱1,110,720,520		

a. Due from related parties pertain to amounts owed by SOC Land used to finance the construction of the Anala and Althea projects, primarily consisting of building construction costs, consultancy fees, taxes and licenses, advertising and other business expenses.

b. South China Petroleum International (SCPI) is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.

c. Short-term employee benefits of key management personnel amounted to ₱2.4 million in 2018 and 2017. No retirement expense were incurred for key management personnel.

16. **Equity**

a. Common Stock

The Parent Company's authorized, issued and outstanding common shares are as follows:

	December 31, 2018 and 2017	
	No. of Shares	Amount
Authorized - ₱1 par value	1,000,000,000	₱1,000,000,000
Issued	600,559,569	600,559,569
Subscribed*	306,000,000	306,000,000
Treasury	(4,639,000)	(4,961,650)

**Includes subscription receivable amounting to ₱229.50 million as December 31, 2018 and 2017.*

The Parent Company was registered with the SEC on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

b. Retained Earnings

On December 8, 2016, the BOD approved a resolution earmarking ₱600.0 million and ₱145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea projects with a target completion in 2021 and the Parent Company's agricultural projects from 2020 to 2025, respectively.

c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. The program ended on December 22, 2013 purchasing a total of 4,639,000 shares for ₱5.0 million.

17. Lease Agreements

In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of twelve (12) months. In line with the contract, the Parent Company paid a security deposit amounting ₱86,184, which is classified under "Prepayment and other current assets" (see Note 7). In 2018, the Parent Company paid additional security deposit amounting to ₱2,736. Minimum lease payments within a year under this contract is ₱0.21 million.

Rent expense relates to these lease contracts, presented as "Rent and Utilities" in the parent company statements of comprehensive income, amounted to ₱0.25 million and ₱0.23 million in 2018 and 2017, respectively.

18. Financial Instruments

<u>Financial Risk Management Objectives and Policies</u>
The Parent Company's principal financial instruments comprise cash and cash equivalents, short-term investments, receivables, security deposit, due from related parties, AFS financial assets/equity investments at FVTOCI and accounts payable and other liabilities. The main purpose of these financial instruments is to fund the Parent Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to credit risk, liquidity risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized in the next page.

Credit Risk
Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Parent Company is exposed to credit risk primarily because of its investing and operating activities. The Parent Company is exposed to credit risk arising from the counterparties (i.e., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

Credit Risk Management
In managing credit risk on these investments, capital preservation is paramount. The Parent Company trades only with recognized, creditworthy third parties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise of cash and cash equivalents, receivables, due from related parties and security deposits, management monitor these financial assets on an ongoing basis with the result that the Parent Company's exposure to impairment losses is not significant.

Credit Risk Exposures
The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, financial assets at FVTOCI and security deposits, is equivalent to the carrying amount of these financial assets as carried in the parent company statements of financial position. The maximum exposure to credit risk for "Due from related parties" is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position.

With respect to credit risk arising from financial assets, the Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure as of December 31, 2018 and 2017 equal to the carrying value of the instruments. The Company does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

Credit Risk Concentration Profile
The Parent Company has no significant concentrations of credit risk.

The aging per class of financial assets and the expected credit loss as of December 31, 2018 follows:

		Past due					
	Current	Less than 30 days	31-60 days	61-90 days	Over 90 days	ECL	Net of ECL
Cash and cash equivalents*	₱418,578,909	₱–	₱–	₱–	₱–	₱–	₱418,563,909
Receivables	851,631	–	–	–	4,108,872	–	4,960,503
Due from related parties	–	–	–	–	1,001,430,944	–	1,001,430,944
Security deposits	88,920	–	–	–	–	–	88,920
	₱419,504,460	₱–	₱–	₱–	₱1,005,539,816	₱–	₱1,425,044,276

**Excludes cash on hand*

The table below shows the credit quality by class of financial asset based on the Parent Company's rating system as of December 31, 2017:

December 31, 2017

	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	But Not Impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱50,008,289	₱–	₱–	₱50,008,289
Short-term investments	255,823,471			255,823,471
Receivables	39,017	–	4,098,888	4,137,905
Due from related parties	–	1,110,720,520	–	1,110,720,520
Security deposits	86,184	–	–	86,184
	₱305,956,961	₱1,110,720,520	₱4,098,888	₱1,420,776,369

**Excludes cash on hand*

The Company considers its cash in bank as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECL relating to cash in banks is considered as immaterial. Other receivables consist of advances to officers and employees and others. The Company evaluated its other receivables as high grade since these are collected through salary deductions or deducted to employees final pay. The ECL relating to this financial asset is considered as immaterial.

The credit quality of financial assets is managed by the Parent Company using high quality and standard quality as internal credit ratings.

A high grade financial assets pertain to a counterparty that is not expected by the Parent Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies. Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets. Past due but not impaired financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

Financial assets that are past due but not impaired aging 91-180 days amounted to ₱4.9 million and ₱4.1 million as of December 31, 2018 and 2017, respectively.

Liquidity Risk
Liquidity risk is the risk that the Parent Company will 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. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Parent Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The following tables summarize the maturity profile of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Parent Company's financial liabilities based on contractual undiscounted payments.

December 31, 2018

	On Demand	**Less than 3 Months**	**6 to 12 Months**	**More than 1 year**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱418,578,909**	**₱–**	**₱–**	**₱–**	**₱418,578,909**
Receivables	**851,631**	**–**	**–**	**4,108,872**	**4,960,503**

(Forward)

	On Demand	Less than 3 Months	6 to 12 Months	More than 1 year	Total
Due from related parties	**₱–**	**₱–**	**₱–**	**₱1,001,430,944**	**₱1,001,430,944**
Security deposit	**88,920**	**–**	**–**	**–**	**88,920**
AFS financial assets:					
Shares of stock	**–**	**–**	**–**	**17,040,036**	**17,040,036**
Golf club shares	**–**	**–**	**–**	**35,250,000**	**35,250,000**
	419,519,460	**–**	**–**	**1,057,829,852**	**1,477,349,312**
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	**–**	**847,483**	**–**	**–**	**847,483**
Liquidity position	**₱419,519,460**	**(₱847,483)**	**₱–**	**₱1,057,829,852**	**₱1,478,196,795**

***Excludes statutory payables.*

December 31, 2017

	On Demand	Less than 3 Months	6 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱50,023,289	₱–	₱–	₱–	₱50,023,289
Receivables	39,017	–	4,098,888	–	4,137,905
Due from related parties	–	–	–	1,110,720,520	1,110,720,520
Security deposit	86,184	–	–	–	86,184
AFS financial assets:					
Shares of stock	–	–	–	19,090,599	19,090,599
Golf club shares	–	–	–	24,250,000	24,250,000
UITF		10,105,372	–	–	10,105,372
	50,148,490	10,105,372	4,098,888	1,154,061,119	1,218,413,869
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other liabilities**	–	989,014	–	–	989,014
	₱50,148,490	₱9,116,358	₱4,098,888	₱1,154,061,119	₱1,217,424,855

***Excludes statutory payables.*

Equity Price Risk
Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Parent Company's AFS financial assets in equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Parent Company measures the sensitivity of its domestic equity investments at FVTOCI/AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

In 2018 and 2017, changes in fair value of equity instruments held as equity investments at FVTOCI/AFS financial assets due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱5.2 million and ₱5.3 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

Foreign Currency Risk
Foreign currency risk is the risk where the value of the financial instruments diminishes due to changes in foreign exchange rates. The Parent Company's foreign currency risk relates to its US$-denominated cash. The Parent Company seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks

associated with the financial instruments. The Parent Company currently does not enter into derivative transactions to hedge its currency exposure.

The Parent Company's significant US$-denominated financial asset as of December 31, 2018 and 2017 pertains to cash in bank which both amounted to US$0.1 million. Translated Peso balances of this US$-denominated cash as of December 31, 2018 and 2017 amounted to ₱6.5 million and ₱6.2 million, respectively.

The Parent Company recognized foreign exchange gain of ₱0.33 million and ₱0.03 million for the years ended December 31, 2018 and 2017. The exchange rate of Peso to US$ as of December 31, 2018 and 2017 used in translating the US$-denominated financial instruments is ₱52.58 and ₱49.93, respectively.

The following table demonstrates the impact on the Parent Company's net loss before income tax of reasonably possible changes in the US$ (all other variables held constant). There is no other impact on the Parent Company's equity other than those already affecting profit or loss as follows:

2018		2017	
Movement in US$ rates	**Effect on net loss**	Movement in US$ rates	Effect on net loss
+5%	**₱326,042**	+3%	₱185,369
-5%	**(326,042)**	-3%	(185,369)

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents, short-term investments, receivables, security deposit and accounts payable and other liabilities

The carrying amounts of cash and cash equivalents, short-term investments, receivables and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

AFS financial assets/Equity investments at FVTOCI

Fair value of AFS financial assets/equity investments at FVTOCI are based on closing prices for equity investments, published price for golf club shares and net asset value per unit for UITF as of the reporting date.

Fair Value Hierarchy

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

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

The Parent Company's financial instrument carried at fair value consists of listed equity investments amounting to ₱17.04 million and ₱19.09 million as of December 31, 2018 and 2017, respectively, which has been determined by reference to the price of the most recent transaction at the end of reporting period (Level 1). The Parent Company's financial instruments carried at fair value measured under Level 2 pertain to golf club shares amounting to ₱35.3 million and ₱24.3 million as at December 31, 2018 and 2017, respectively, which has been determined by reference to published price quotation, and UITF amounting to ₱10.1 million as at December 31, 2017 (nil as of December 31, 2018) which has been determined by reference to net asset value per unit at the end of reporting period.

As of December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2018 and 2017.

The following table pertains to the account balances which the Parent Company considers as its core economic capital:

	2018	2017
Common stock	**₱600,559,569**	₱600,559,569
Subscribed common stock - net of subscription receivable	**76,500,000**	76,500,000
Additional paid-in capital	**72,272,140**	72,272,140
Retained earnings	**287,374,864**	292,950,231
Treasury stock	**(4,961,650)**	(4,961,650)
	₱1,031,744,923	₱1,037,320,290

19. Basic/Diluted Loss Per Share

	2018	2017
Net loss	**(₱5,680,739)**	(₱8,378,741)
Weighted average number of outstanding shares	**901,920,569**	901,920,569
Basic/Diluted Loss per Share	**(₱0.0063)**	(₱0.0093)

There are no dilutive potential common shares outstanding as of December 31, 2018 and 2017.

20. **Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

In compliance with Bureau of Internal Revenue (BIR) RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued by the Parent Company in 2018:

Input VAT

Balance at beginning of year	₱1,196,820
Current year's domestic purchases for:	
Goods other than for resale or manufacture	205,139
Services lodged under other accounts	107,966
Balance at end of year	₱1,509,925

The Parent Company has no sales subject to VAT of 12% for the year ended December 31, 2018.

Other Taxes and Licenses
In 2018, other taxes and licenses include all other taxes, local and national, including licenses and permit fees lodged under the taxes and licenses account under the costs and expenses section in the parent company statement of comprehensive income:

License and permit fees	₱246,206
Community tax certificate	5,832
Documentary stamp tax	5,268
Others	14,418
	₱271,724

Withholding Taxes

Tax on compensation and benefits	₱256,157
Expanded withholding tax	195,482
	₱451,639

Tax Assessment and Case
The Parent Company is currently not involved in any tax cases and assessments.