COVER SHEET

SEC Registration Number

808

COMPANY NAME

ISM COMMUNICATIONS CORPORATION (FORMERLY, ITOGON-SUYOC MINES, INC.) AND SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

3F ALEGRIA ALTA BLDG. 2294 CHINO ROCES AVE. EXT. MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
leandro.abarquez@udenna.ph	(02) 403-4015	n/a

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	September 28	December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Leandro A. Abarquez	leandro.abarquez@udenna.ph	(02) 403-4015	n/a

CONTACT PERSON's ADDRESS

26th Flr. Fort Legend Towers 3rd Ave. cor 31st St. Bonifacio Global City Taguig City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SEC Number 808
File Number

ISM COMMUNICATIONS CORPORATION
(formerly, Itogon-Suyoc Mines, Inc.)

(Group's Full Name)

3F Alegria Alta Bldg. 2294 Chino Roces Ave., Makati City

(Group's Address)

(02) 310-1916

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

Quarterly Report Pursuant to Section 17
of the Securities Regulation Code and SRC Rule 17
(2) (b) Thereunder

Form Type

N/A

Amendment Designation (if applicable)

March 31, 2019

Period Ended Date

N/A

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2019

2. Commission identification number 808

3. BIR Tax Identification No. 000-162-935V

4. Exact name of issuer as specified in its charter ISM Communications Corporation

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

6. Industry Classification Code: □ (SEC Use Only)

7. Address of issuer's principal office 3F Alegria Alta Bldg. 2294 Chino Roces Ave., Makati City

   Postal Code 1232

8. Issuer's telephone number, including area code (632) 310-1916

9. Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	**Number of shares of common stock outstanding**
Common P1.00 par value	2,800,000,000 common shares

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

    Yes [X] No [ ]

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

    Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

    Yes [X] No [ ]

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

    Yes [X] No [ ]

Part I – Financial Information

Item 1. Financial Statements

The following are attached hereto as part of this report:

a. Consolidated Balance Sheets as of March 31, 2019 (unaudited) and December 31, 2018 (audited)

b. Consolidated Statements of Comprehensive Income for the Quarters ended March 31, 2019 and March 31, 2018 (unaudited)

c. Consolidated Statements of Changes in Stockholders' Equity for the Quarters ended March 31, 2019 and March 31, 2018 (unaudited)

d. Consolidated Statements of Cash Flows for the Quarters ended March 31, 2019 and March 31, 2018 (unaudited)

e. Notes to the Consolidated Financial Statements

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

The current capitalization of the Group, and expected future revenues from its various investment activities are projected to sufficiently meet the Group's operating cash requirements. The Group intends to utilize internally generated funds to finance the acquisition of computer and other equipment, if any. These acquisitions, and facilities, are not expected to be of material amounts.

The Group does not expect to conduct any product research and development in the foreseeable future.

No extraordinary purchase or sale of plant and equipment are expected beyond those in the regular course of the Group's operations. All purchases will be financed through internally-generated funds and existing capitalization.

Hiring of employees will be done in the regular course of business, if necessary.

There are no known trends, events or uncertainties that are reasonably expected to have a material impact on the Group's revenues or continuing operations.

RESULTS OF OPERATION

	January to March	
INCOME STATEMENT	**2019**	2018
Other Income - net	**10,574,392**	42,011,823
Expenses	**(7,992,326)**	(6,025,597)
Tax Expense	**(24,831)**	(13,725)
Net Income	**2,557,235**	35,972,500
Retained Earnings at Beginning of Period	**934,122,969**	825,438,239
Retained Earnings at End of Period	**936,680,204**	861,410,739
BALANCE SHEET		
Current Assets	**3,661,147,848**	1,130,198,121
Noncurrent Assets	**741,585,135**	775,686,906
Total Assets	**4,402,732,966**	1,905,885,027
Total Liabilities	**1,723,951**	1,834,787
Total Equity	**4,401,009,015**	1,904,050,240

Results of Operation for the First Three Months of 2019 and 2018
(Based on Income Statement (IS) for Mar 31 2019 and Mar 31 2018)

In 2017, the Group entered into a service agreement to provide administrative services to its associate. Income earned from this agreement is booked under Other Income – net.

Total other income – net of the Group for the first three months of 2019 totaled ₱10.57 million, which is lower than the ₱42.01 million other income for the same period in the previous year. This is mainly due to the restatement of balances in 2017 which affected the accounts for the first quarter of 2018, specifically the higher foreign exchange gains due to the revaluation of interGroup advances.

The Group generated a net income of ₱2.56 million and ₱35.97 million in the first three months of 2019 and 2018, respectively.

Key performance indicators for the First Three Months of 2019 and 2018
(Based on Income Statement (IS) for Mar 31 2019 and Mar 31 2018)

Financial Ratios	**Mar 31, 2019**	Mar 31, 2018
Current Ratio (Current Assets/Current Liabilities)	**2,123.70 : 1.00**	615.98 : 1.00
Asset to Equity Ratio (Total Assets / Total Equity)	**1.00 : 1.00**	1.00 : 1.00
Debt to Asset Ratio (Total Liabilities / Total Assets)	**0.00 : 1.00**	0.00 : 1.00
Debt to Equity Ratio (Total Liabilities / Total Equity)	**0.00 : 1.00**	0.00 : 1.00
Return on Total Assets (Net Income / Total Assets)	**0.06%**	1.89%
Return on Total Equity (Net Income / Total Equity)	**0.06%**	1.89%

Discussion on the Balance Sheets (BS) for the periods ending Mar 31 2019 and Dec 31 2018:

Cash and Cash Equivalents

Cash and cash equivalents stood at ₱2,815.24 million at end of March 31, 2019 compared to ₱2,871.65 million at December 31, 2018. The decrease can be attributed to the placement of additional funds in repurchase transactions, which are classified as short-term receivables.

Receivables

The outstanding balance is a sum of the repurchase transaction placements of ₱830.26 million, remaining balance from the sale of ETPI assets of ₱307.77, short term loans to Acentic GmbH, including interest of ₱76.17 million. The outstanding balance also includes a provision of ₱307.77 million allowance for doubtful accounts.

Other Current Assets

The increase in other current assets is mainly due to the increase in input VAT.

Property and Equipment – net

As of March 31, 2019, property and equipment net of depreciation amounted to ₱0.08 million. This consists of the Group's transportation equipment, leasehold improvement, office and computer equipment and other fixed assets.

Financial assets at fair value through other comprehensive income

Since the effectivity of PFRS 9 beginning January 1, 2018, the Group reclassified its investments from Available-For-Sale Assets to Financial Assets at Fair Value through Other Comprehensive Income.

As of reporting date, the fair values of the Group's investments are as follows –

• Government Bonds	- ₱215.28 million
• Equity Securities	- ₱390.40 million
• Quoted Corporate Bonds	- ₱62.63 million

Part II – Other Information

There are no disclosures not reported under SEC Form 17-C.

SIGNATURES

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

ISM COMMUNICATIONS CORPORATION
Registrant

IGNACIA S. BRAGA IV Chief Finance Officer	**DENNIS A. UY** Chairman/CEO

May 14, 2019

Quarterly Report – January 1, 2019 to March 31, 2019

ISM Communications Corporation and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of March 31, 2019 (With Comparative Audited Figures as of December 31, 2018) and For the Three-Month Periods Ended March 31, 2019 and 2018

ISM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Mar 31 2019 (Unaudited)	Dec 31 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,815,235,034**	₱2,871,653,216
Receivables – net (Note 5)	**839,138,382**	770,724,274
Other current assets (Note 6)	**6,774,415**	6,505,567
Total Current Assets	**3,661,147,831**	3,648,883,157
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 8)	**668,310,648**	563,713,996
Receivables – net (Note 5)	**73,191,225**	74,511,305
Other non-current assets (Note 6)	**83,262**	104,259
Total Noncurrent Assets	**741,585,135**	638,329,560
TOTAL ASSETS	**₱4,402,732,966**	₱4,287,212,717
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 9)	**₱1,672,839**	₱1,412,311
Income tax payable	**51,112**	26,282
Total Liabilities	**1,723,951**	1,438,593
Equity		
Capital stock (Note 12)	**2,800,000,000**	2,800,000,000
Additional paid-in capital (Note 2)	**785,205,350**	785,205,350
Revaluation reserves	**(120,876,539)**	(233,554,195)
Retained earnings	**936,680,204**	934,122,969
Total Equity	**4,401,009,015**	4,285,774,124
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱4,402,732,966**	₱4,287,212,717

See accompanying Notes to Financial Statements.

ISM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended March 31	
	2019	2018
EXPENSES		
Salary and administrative	**₱3,711,683**	₱3,580,704
Professional fees	**1,679,356**	855,240
Representation and entertainment	**552,521**	407,414
Rentals	**214,884**	208,060
Utilities	**137,753**	135,773
Transportation and travel	**57,053**	76,136
Office supplies	**46,452**	15,065
Taxes and licenses	**37,412**	64,805
Depreciation and amortization	**20,998**	441,287
Others	**1,534,214**	241,114
	7,992,326	6,025,598
OTHER INCOME (CHARGES) – NET		
Interest income (Note 4)	**24,149,117**	8,578,334
Equity share in net loss of an associate	**(10,019,687)**	(17,170,881)
Foreign currency exchange gains (losses) - net	**(3,615,038)**	51,585,860
Loss on disposal of assets at fair value through other comprehensive income (FVOCI) (Note 8)	**–**	(1,041,490)
Others – net	**60,000**	60,000
	10,574,392	42,011,823
INCOME BEFORE INCOME TAX	**2,582,066**	35,986,225
INCOME TAX EXPENSE (Note 10)	**24,831**	13,725
NET INCOME (LOSS)	**2,557,235**	35,972,500
OTHER COMPREHENSIVE INCOME (LOSS)	**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱2,557,235**	₱35,972,500
BASIC/DILUTED EARNINGS PER SHARE		

See accompanying Notes to Financial Statements.

ISM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDAETD STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

		Additional		**Revaluation**		
	Capital Stock	**Paid-in**	**Treasury Stock**	**Reserves**		
	(Note 10)	**Capital**	(Notes 9 and 10)	(Notes 9 and 10)	**Retained Earnings**	**Total**
Balance at Dec 31 2018	**₱2,800,000,000**	**₱785,205,350**	**₱–**	**(₱233,554,195)**	**₱934,122,969**	**₱4,285,774,124**
Total comprehensive income	**–**	**–**	**–**	**112,677,656**	**2,557,235**	**115,234,891**
Balance at Mar 31 2019	**₱2,800,000,000**	**₱785,205,350**	**₱–**	**(₱120,876,539)**	**₱936,680,204**	**₱4,401,009,015**
Balance at Dec 31 2017	₱1,916,269,341	₱455,329,483	(₱1,279,786,026)	(₱8,081,200)	₱825,438,239	₱1,909,169,837
Total comprehensive income	–	–	–	(41,092,098)	35,972,500	(5,119,597)
Balance at Mar 31, 2018	₱1,916,269,341	₱455,329,483	(₱1,279,786,026)	(₱49,173,298)	₱861,410,739	₱1,904,050,240

See accompanying Notes to Financial Statements.

ISM COMMUNICATIONS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarters Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱2,582,066**	₱35,986,225
Adjustments for:		
Equity in net losses of an associate	**10,019,687**	17,170,881
Unrealized foreign currency exchange loss (gain) - net	**3,615,038**	(13,100,126)
Loss on sale of investments	**–**	1,041,490
Depreciation	**20,998**	441,287
Interest income	**(24,149,117)**	(8,578,334)
Working capital changes:		
Decrease (increase) in:		
Receivables	**250,111,222**	(1,460,526)
Other current assets	**(268,765)**	(1,304,189)
Decrease in accrued expenses	**260,527**	406,329
Cash used in operations	**242,191,656**	30,603,037
Interest received	**14,240,801**	7,419,428
Net cash flows used in operating activities	**256,432,457**	38,022,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances made to an affiliated company	**(250,147,800)**	(27,207,983)
Repurchase agreements	**(68,377,531)**	12,677,115
Acquisition of property and equipment	**–**	(66,696)
Net cash flows used in investing activities	**(318,525,331)**	(14,597,564)
NET DECREASE IN CASH AND CASH EQUIVALENT	**(62,092,874)**	23,424,901
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	**5,674,692**	1,545,811
CASH AND CASH EQUIVALENT AT BEGINNING OF PERIOD	**2,871,653,216**	37,009,350
CASH AND CASH EQUIVALENT AT END OF PERIOD	**₱2,815,235,034**	₱61,980,062

See accompanying Notes to Financial Statements.

ISM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

ISM Communications Corporation ("ISMCC" or "the Parent Company") was, originally, a mining Group incorporated under the name "Itogon-Suyoc Mines, Inc."

During meetings held on June 22 and July 25, 2001, the Board of Directors (BOD) and stockholders of ISMCC approved a Memorandum of Agreement (MOA) between ISMCC and PhilWeb Corporation (PhilWeb). Under the terms of the MOA, PhilWeb shall manage the transformation of ISMCC from a mining Group to a Group engaged in information technology, multimedia, telecommunications, and other similar industries, including the identification of and negotiation with potential investors who will infuse the necessary capital or assets for projects in such industries. Any project identified by PhilWeb shall be subject to the approval of the BOD and stockholders of ISMCC. As consideration for the services to be rendered by PhilWeb, and in order to generate investor confidence in the new corporate direction of ISMCC, PhilWeb was granted the right to subscribe to 12,000,068,290 shares of the unissued capital stock of ISMCC at par value, by making an initial payment of 25% on such subscription.

To facilitate the transformation envisioned in the aforementioned MOA, ISMCC:

a. Amended its articles of incorporation and by-laws to enable it to undertake its new projects in a manner acceptable to the new investors;

b. Completely divested its mining operations, as well as all mining-related assets and liabilities to a third party such that, at the time of the commencement of the new projects and/or the entry of the new investors, it would have substantially no assets and no liabilities; and,

c. Allowed the new investors to have majority control of its voting shares of stock and control the management of its operations.

On July 25, 2001, the stockholders of ISMCC also approved the following:

a. The amendments to the Articles of Incorporation of ISMCC concerning:

   i. The declassification of the capital stock (common "A" and common "B") into just one class of common stock;

   ii. Denial of pre-emptive rights; and,

   iii. Inclusion, among its secondary purposes, of the business of information technology, telecommunications, multimedia, as well as other similar businesses.

b. The granting of authority to the BOD to sell, alienate, and/or dispose of any or all of its assets to repay maturing loan obligations.

On April 10, 2002, the stockholders of ISMCC approved a Restructuring Plan, which involved, among others, the following:

a. Change in corporate name from “Itogon-Suyoc Mines, Inc." to “ISM Communications Corporation;" and,

b. Change in the primary purpose from a Group engaged in the business of mining to a Group engaged in the business of telecommunications, multimedia and information technology.

The Securities and Exchange Commission (SEC) subsequently approved such Restructuring Plan on June 7, 2002.

On November 19, 2013, PhilWeb sold its entire equity interest in ISMCC to a domestic corporation. Accordingly, the Memorandum of Agreement with PhilWeb has been terminated.

On May 24, 2016, the stockholders of ISMCC approved the following amendments to the articles of incorporation of the Group:

a. Change in the primary purpose from a Group engaged in the business of telecommunications, multimedia and information technology to a Group engaged in the business of a holding Group.

b. Change in the principal address of the Group to 2F PBCOM Tower, 6795 Ayala Ave. cor. V.A. Rufino St., Makati City.

c. Reduction in the number of members of the Board of Directors of the Group from fifteen to nine, which shall consist of such number of regular and independent directors as the stockholders may elect from time to time. In no case shall the number of independent directors be less than two.

The Securities and Exchange Commission (SEC) subsequently approved such amendment on November 11, 2016.

ISMCC is a public Company under Section 17.2 of the Securities Regulation Code and its shares are listed in the Philippine Stock Exchange (PSE). Its registered office address is at 3F Alegria Alta Bldg. 2294 Chino Roces Ave., Makati City.

The Parent Company holds ownership interest in the following subsidiaries and an associate:

		Percentage of Ownership		
Subsidiaries/Associate	Notes	**2019**	2018	Country of Incorporation
Subsidiaries:				
ISM Equities Corporation (ISMEC)	(a)	**100%**	100%	Philippines
Wagas Consultants Limited (Wagas)	(b)	**100%**	100%	British Virgin Islands
Host Union International Limited (Host Union)	(c)	**100%**	100%	Hong Kong
Associate				
Acentic Holdings Limited (Acentic)	(d)	**32.5%**	32.5%	United Kingdom

(a) ISMEC is a domestic corporation registered with the SEC on May 27, 2015, primarily engaged in investing, purchasing, using, and selling real and personal property of every kind. As at March 31, 2019, ISMEC has not started yet its operations.

(b) Wagas is a special-purpose entity, organized and existing under the laws of the British Virgin Islands.

(c) Host Union, an indirect subsidiary of the Company through Wagas, is a special-purpose entity organized and existing under the laws of Hong Kong.

(d) Acentic is an associate of Host Union, organized in the laws of England and Wales, engaged in the production, sale and operation of media and information systems, particularly for hotels and tourism business, as well as development of software and hardware internet solutions. Prior to December 31, 2017, Host Union holds a 32.5% interest in Acentic GmbH, however, on such date, Host Union applied for the allotment and issuance of 325 ordinary shares at GBP 1 each of Acentic in consideration for the transfer of Host Union's 325,000 shares in Acentic GmbH to Acentic..

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation of Consolidated Financial Statements

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Changes in Accounting Policies and Disclosures

(a) The Group has adopted the following amendments to standards starting January 1, 2019. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an 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 Group is currently assessing the financial impact of that the adoption of the new standard. Upon adoption, the Group expects the following:

a. Assets and liabilities will increase because of the capitalization of the right of use asset from operating lease agreements; and,

b. Rental expense will decrease while depreciation and interest expense will increase.

- PAS 19 (Amendments), *Employee Benefits – Plan Amendments, Curtailment or Settlement*. The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

  The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- PAS 28 (Amendments), *Investments in Associates – Long Term Interests in Associates and Joint Ventures*. The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments*. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following: (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and, (d) how an entity considers changes in facts and circumstances.

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

- Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group’s consolidated financial statements as these amendments merely clarify existing requirements:

  - PFRS 3 (Amendments), *Business Combinations – Previously Held Interest in a Joint Operation* and PFRS 11 (Amendments), *Joint Arrangements – Previously Held Interest in a Joint Operation*. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Payments on Financial Instruments Classified as Equity*. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

(b) A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019. The Group has not applied the following new or amended standards in preparing these unaudited interim condensed consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's unaudited interim condensed consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

- PAS 1 (Amendments), *Presentation of Financial Statements – Definition of Material* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective January 1, 2020). The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

- PFRS 3 (Amendments), *Business Combinations – Definition of A Business* (effective January 1, 2020). The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- PFRS 17, *Insurance Contracts* (effective January 1, 2021). The new standard is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and,

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses, if any, that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and associate as follows:

a. Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it has power over the investee, 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. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicates that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss (see Note 2.7).

On the other hand, business combinations arising from transfers or acquisition of interests in entities that are under the common control of the shareholder that controls the Group are normally accounted for under the pooling-of-interests method and reflected in the consolidated financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognized in the Group's consolidated financial statements at the carrying amounts previously recognized. The difference between the consideration transferred and the net assets of the subsidiary acquired is recognized as Other Reserves as part of the equity

b. Investment in an Associate

Associate is an entity over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within the Equity share in net income (loss) of associates under Other Income (Charges) account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.14).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable.

However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

The Parent Company holds indirect interests in a subsidiary and an associate as presented in Note 1.2.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

a. Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below.

i. Financial Assets at Amortized Cost

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

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

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents and Receivable – net.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Interest Income

ii. Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9 [see Note 2.2(a)(i)a].

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as part of Interest Income.

Any dividends earned on holding equity instruments are recognized in profit or loss as dividend income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment

iii. Financial Assets at Fair Value Through Profit and Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include equity-based mutual funds which contractual cash flows do not represent SPPI.

Financial assets at FVTPL are measured at fair value with gains or losses, if any, are recognized in profit or loss as part of Fair Value Gains or Losses in the statements of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments, if any, are included in the net fair value gains (losses) on these assets presented as part of Interest Income in the statements of comprehensive income.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model

b. Impairment of Financial Assets

From January 1, 2018, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for its receivables and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a modified loss rate approach. The Group also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days. For advances to related parties which all are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date taking into consideration historical defaults of the related parties. Management considers if the related party has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date.

For debt instruments measured at FVOCI and at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognizes a loss allowance for such losses at each reporting date.

The key elements used in the calculation of ECL are as follows:

- Probability of default – It is an estimate of likelihood of default over a given time horizon.

- Loss given default – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.

- Exposure at default – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

c. Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Other assets include property and equipment which are carried at cost less accumulated depreciation, amortization and impairment losses, if any. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets of 3 to 10 years.

2.6 Financial Liabilities

Financial liabilities, which pertain to accounts payable and accrued expenses (except tax-related liabilities), are recognized when the Group becomes a party to the contractual terms of the instrument.

Accounts payable and accrued expenses are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss

2.7 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to income and is presented as Gain on bargain purchase under Other Income (Charges) in the consolidated statement of comprehensive income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating unit that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, Provisions, Contingent Liabilities and Contingent Assets, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity

2.8 Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision maker to make decisions about sources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. An operating segment may engage in business activities for which it has earn revenues, for example, start-up operations may be operating segments before earning revenues.

The Group determines and presents an operating segment based on the information that is internally provided to the Chairman and Chief Executive Officer who is the Group's chief operating decision maker (CODM).

The Group's CODM is reviewing the results of the Group as a whole, hence, the Group has only one segment. The information being reviewed by the CODM is based on the amounts reflected in the consolidated financial statements and hence, no additional information is presented

2.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Group's consolidated financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the Group first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

2.12 Leases – Group as Lessee

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains a lease, based on the substance of the arrangement. It makes 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.

2.13 Foreign Currency Transactions and Translation

a. Transactions and Balances

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI (previously as AFS financial assets) are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income

b. Translation of Financial Statements of a Foreign Subsidiary

The operating results and financial position of Wagas which are measured using the U.S. dollar, its functional currency, are translated to Philippine pesos, the Group's functional currency as follows:

i. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

ii. Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii. All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in Wagas, is taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange

2.14 Impairment of Non-Financial Assets

The Group's investment in associate and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount

2.15 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority

2.16 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any share dividend, share split and reverse share split during the current year, if any.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share

2.18 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise of unrealized fair value gains and losses from revaluation of financial assets at FVOCI (previously as AFS financial assets), share in cumulative other comprehensive loss of an associate and cumulative translation adjustment.

Retained earnings represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

2.19 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. Significant Accounting Judgments, Estimate and Assumption

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

The judgments, estimate and assumption are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical Management Judgments in Applying Accounting Policies

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

a. Application of ECL on Receivables and Financial Assets at FVOCI

The Group uses a provision matrix to calculate ECL for all receivables and debt instruments carried at FVOCI. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument

b. *Evaluation of Business Model Applied in Managing Financial Instruments, Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of Business Model*

In determining the classification of a financial instrument under PFRS 9, the Group:

(i) evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies; and, (ii) assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In respect of the investment in preferred shares of an associate, the Company elected the option to irrevocably designate and present in other comprehensive income the changes in fair value of these equity securities as the Company consider these to be strategic in nature.

c. *Classification of Investment in Preferred Shares of an Associate as Equity Instrument*

The Group classifies its investment in preferred shares of an associate as part of equity securities since there is no fixed redemption date and the option to redeem these securities partially or in full is under its terms and conditions. In addition, the issuer may, at its discretion, declare and pay dividends in the event the issuer has distributable reserves even when it is likely that the payments will be made. On the other hand, these securities shall be treated as financial liability when the issuer has an obligation to pay the accumulated distributions should the issuer declares dividends to its equity holders as defined under PAS 32. Should the issuer also opt to not defer payment of distributions, all distributions in arrears as of that date will be recognized as a financial liability until payment is made.

d. *Distinction Between Operating and Finance Leases*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities

e. *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and disclosures on relevant provisions and contingencies are presented in Note 14.

3.2 Key Sources of Estimation Uncertainty

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

a. *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 15.2.

b. *Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 8, respectively.

c. *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that certain deferred tax assets as at March 31, 2019 and December 31, 2018 may not be fully utilized in the subsequent reporting periods, hence, a portion of it was no longer recognized. The details of recognized and unrecognized deferred tax assets as of March 31, 2019 and December 31, 2018 are presented in Note 10.

d. *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.14). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses relating to non-financial assets were incurred by the Group as of March 31, 2019 and December 31, 2018.

4. **Cash and Cash Equivalents**

	Mar 31 2019	Dec 31 2018
Cash on hand	**₱961,116,092**	₱2,197,089,918
Cash in bank	**326,235,978**	7,605,940
Short-term investment	**1,527,882,964**	666,957,358
	₱2,815,235,034	₱2,871,653,216

Cash on hand pertains to the 75% proceeds from the sale of treasury shares and payment for the subscription of unissued shares amounting to ₱961.06 million and ₱2,197.02 million as of March 31, 2019 and December 31, 2018, respectively (see Note 12).

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn effective interest ranging from 2.25% to 6.0% in 2019 and 2018. Interest earned are presented as part of Interest income account under Other income account in statement of comprehensive income.

5. **Receivables - Net**

	Mar 31 2019	Dec 31 2018
Current:		
Short-term receivables (a)	**₱830,262,297**	₱761,884,765
Receivables from sale of ETPI (b)	**307,777,692**	307,777,692
Interest receivable (c)	**7,890,688**	7,837,295
Others	**985,397**	1,002,213
	1,146,916,074	1,078,501,966
Allowance for impairment (b)	**(307,777,692)**	(307,777,692)
	839,138,382	770,724,274
Non-current:		
Long-term notes receivable (c)	**73,191,225**	74,511,305
	₱912,329,607	₱845,235,579

a. Short-term Receivables

Short-term receivables pertain to the interest bearing repurchase agreements entered by the Group with PBCOM which earns effective interest ranging from 2.13% to 4.5% and mature within 30 to 85 days. These agreements are collateralized by government securities owned by PBCOM.

Interest earned from these receivables are presented as part of Interest income account under Other income account in statement of comprehensive income.

b. Receivable from ETPI

Receivable from sale of ETPI pertains to the outstanding proceeds from the sale of the Group's investment in Eastern Telecommunications Philippines, Inc. (ETPI). The amount is non-interest bearing. On March 25, 2015, the Group and buyer entered into an agreement on the payment schedule to be made in relation to the aforementioned receivable. Schedule of payments is as follows:

Amount of Payment	Payment Date
₱800,000,000	2015
50,444,462	2016
48,000,000	2017
₱898,444,462	

As at December 31, 2017, the receivable from sale of ETPI were collected as per the agreed payment schedule above. However, in 2015, the Group provided allowance for impairment loss amounting to ₱307.78 million, pertaining to the remaining balance of receivable which was not included in the payment schedule, as management deemed the amount is doubtful of collection.

c. Notes Receivable

Notes receivable consist of foreign currency denominated interest-bearing loans to Acentic as follows:

	Amount in original currency	Peso Equivalent		
		Mar 31 2019	Dec 31 2018	Maturity Date
EUR Loan 1	€860,451	₱50,975,268	₱51,894,680	Dec 31 2022
EUR Loan 2	€250,000	14,810,625	15,077,750	Mar 31 2020
EUR Loan 3	€125,000	7,405,332	7,538,875	Mar 31 2020
		₱73,191,225	₱74,511,305	

During 2017, the Group and its subsidiary, Wagas, have an outstanding notes receivable from Acentic GmbH amounting to €5,741,653, inclusive of €746,429 accrued interest. As part of the restructuring, Acentic GmbH assigned to Acentic the accrued interest plus a portion of the principal amounting to €114,022 or with a total amount of €860,451 due to the Group. Such loan bears a fixed interest of 5% and will mature on December 31, 2022 (EUR Loan 1). The restructuring is discussed in detail in Note 7.

Interest income earned from these receivables are presented as part of Interest income account under Other income account in statement of comprehensive income.

On March 22, 2018 and May 2, 2018, the Group extended additional loans to Acentic amounting to €250,000 ("EUR Loan 2") and €125,000 (“EUR Loan 3”), respectively. Both loans bear an annual fixed interest of 10% and will mature on March 31, 2020.

6. **Other Assets**

	Mar 31 2019	Dec 31 2018
Current:		
Input VAT	**₱8,344,636**	₱8,057,590
Prepaid assets	**2,824,291**	2,842,588
	11,168,927	10,900,178
Allowance for impairment	**(4,394,512)**	(4,394,511)
	6,774,415	6,505,667
Non-current:		
Property and equipment	**5,843,111**	5,843,111
Accumulated depreciation	**(5,759,849)**	(5,738,852)
	83,262	104,259
	₱6,857,677	₱6,609,926

7. **Investment in an Associate**

The cost of investment of Acentic amounted to ₱660,419,903 as of Mar 31 2019 and Dec 31, 2018. The movement of this account accounted under equity method [see Note 2.3(b)] is as follows:

	Mar 31 2019	Dec 31 2018
Balance at beginning of year	**₱ –**	₱3,093,689
Equity share in net losses of an associate	**(10,019,687)**	(17,647,842)
Cumulative translation adjustment	**–**	(2,247,728)
Share in other comprehensive income	**–**	2,098,369
Cumulative share in net losses including cost of investment	**(10,019,687)**	(14,703,512)
Absorbed share in net losses of an associate	**10,019,687**	14,703,512
Ending Balance	**₱ –**	₱ –

On December 31, 2017, the Group applied for the allotment and issuance of 325 ordinary shares at GPB 1 each of Acentic in consideration for the transfer of the Group's 325,000 shares in Acentic GmbH to Acentic. On the same date, the Group, thru Host Union, were registered as shareholders of Acentic.

The Group's share in the net losses of its associate exceeded the carrying amount of its investment as of Mar 31 2019 and Dec 31 2019. The excess share in net losses were absorbed fully by the investment in preferred shares of the Group in the same entity (see Note 8).

Management assessed that there is no indication of impairment on the investment. In view thereof, no impairment was recognized in the books.

8. Financial Assets at Fair Value Through Other Comprehensive Income

The amounts in the statements of financial position comprise the following categories of financial assets:

	Mar 31 2019	Dec 31 2018
Government bonds	**₱215,284,791**	₱202,076,726
Equity securities	**390,397,098**	301,993,504
Quoted corporate bonds	**62,628,759**	59,643,766
Ending Balance	**₱668,310,648**	₱563,713,996

The breakdown of the equity securities are as follows:

	Mar 31 2019	Dec 31 2018
Listed equity securities	**₱103,109,871**	₱97,101,137
Unquoted equity securities		
Preferred	**282,082,445**	199,687,585
Common	**5,204,782**	5,204,782
Ending Balance	**₱390,397,098**	₱301,993,504

The government bonds, corporate bonds and UITF are investments of the Group which are held under IMA from a trustee bank (investment manager) [see Note 2.1(b)i].

The investment in equity shares consist of quoted and unquoted shares. Quoted shares consist of 4,806,987 shares of stock in PBCOM. Unquoted equity securities pertain to the Group's investment in the preferred stock of Acentic and common stock of Alpha Force Security Agency. In 2018, these shares are measured at their fair value based on their discounted amount of estimated future cash flows expected to be received or paid (see Note 17.2).

The fair values of government and corporate bonds and listed equity securities have been determined based on quoted prices in active markets.

9. Trade and Other Payables

This account consists of:

	Mar 31 2019	Dec 31 2018
Accrued expenses	**₱1,351,805**	₱898,758
Payable to government agencies	**281,749**	474,269
Other payables	**39,285**	39,284
	₱1,672,839	₱1,412,311

Accrued expenses pertains to the amount payable to the investment manager. Payable to government agencies pertain to withholding taxes and to the employer's share in the contribution for SSS, HDMF, and PhilHealth. Other payables consist of amounts due to internet service provider.

10. **Income Taxes**

The Group's current income tax expense which pertains to Minimum Corporate Income Tax (MCIT), amounting to ₱24,831 and ₱112,963 as of March 31, 2019 and December 31 2018, respectively.

The details of NOLCO as of December 31, 2018, which can be claimed as deduction against future taxable income, and their respective prescriptive period are as follows:

Year	Original Amount	Applied Balance	Expired	Remaining Balance	Valid Until
2015	₱41,301,906	₱ -	₱41,301,906	₱ -	2018
2017	22,235,479	-		22,235,479	2020
2018	32,474,080	-		32,474,080	2021
	₱96,011,465	₱ -	₱41,301,906	₱54,709,559	

The details of the Group's MCIT which can be claimed as deduction against future corporate tax liabilities as follows:

Year	Original Amount	Applied Balance	Expired	Remaining Balance	Valid Until
2015	₱234,858	₱ -	₱234,858	₱ -	
2016	906,918	-	-	906,918	2019
2017	79,589	-	-	79,589	2020
2018	112,963	-	-	112,963	2021
	₱1,334,328	₱ -	₱234,858	₱1,099,470	

11. **Related Party Transactions**

The Group's related parties include its associates, the Group's key management personnel and others as described in Note 2.16. The summary of the Group's transactions and outstanding balances with its related parties follows:

	Amount of Transaction		Outstanding Balance	
	Mar 31 2019	Dec 31 2018	Mar 31 2019	Dec 31 2018
Associate				
Interest-bearing loan	(₱1,320,080)	₱12,074,602	₱73,191,225	₱74,511,305
Interest income	175,386	5,078,138	2,978,188	2,802,802
Investment in preferred shares	82,394,860	(14,703,512)	282,082,445	199,687,585
Others				
Short-term receivable	68,377,532	(306,982,151)	830,262,297	761,884,765

a. Conversion of Notes Receivable into Investment in Preferred Shares

On November 28, 2017, the BOD approved Acentic's proposed balance sheet restructuring which referred to the conversion of the Group's loan balance of €4.88 million from Acentic, out of the total amounting to €5.74 million, to equity. Remaining balance of the loan and interest receivable after the proposed conversion will be consolidated into one interest-bearing loan agreement amounting to €860,451 which will mature in December 31, 2022. The agreement further provides that the Group's subsidiary, Wagas, through assignment of the loans receivable and interest receivable, shall receive 4,150,682 preferred shares from Acentic Holdings Limited in the amount of £4,150,682, as payment for the portion of the loans and interest receivable.

b. Loans to Associate

The Group has been granting various foreign currency denominated interest-bearing loans to its associate for its working capital requirements. As at Mar 31 2019 and Dec 31, 2018, the outstanding receivable from Acentic amounted to ₱73.2 million and ₱74.5 million, respectively, and is shown under the non-current portion of the Receivables account in the statements of financial position of the Group (see Note 5.3).

12. Equity

a. Capital Stock

Capital stock consists of:

	Shares		Amount	
	Mar 31 2019	Dec 31 2018	Mar 31 2019	Dec 31 2018
Common shares -				
₱1 par value				
Authorized -				
2,800,000,000 shares				
Issued:				
Beginning balance	2,800,000,000	1,916,269,341	₱2,800,000,000	₱1,916,269,341
Issued during the year	-	883,730,659	-	883,730,659
Ending balance	**2,800,000,000**	**2,800,000,000**	**₱2,800,000,000**	**₱2,800,000,00**
Treasury shares				
Beginning balance	-	841,945,107	₱ -	₱1,279,786,026
Reissued during the eyar	-	(841,945,107)	-	(1,279,786,026)
Ending balance	**-**	**-**	**₱ -**	**₱ -**

On August 15, 2018, the BOD approved the subscription by Dennison Holdings Corporation to all of the Group's 883,730,659 unissued common shares at a subscription price of ₱1.45 per share or a total subscription of ₱1,281.4 million, 25% of which is payable upon subscription and the 75% balance no later than the end of 2018. Such subscription is equivalent to 45% of the resulting outstanding capital stock of the Group. The total amount of subscription price was received as of December 31, 2018 and the proceeds is presented as part of Cash on hand under the Cash and Cash Equivalent account in the 2018 statement of financial position (see

Note 4). The related stock issuance cost amounting to ₱8.84 million were deducted from additional paid in capital.

On October 18, 2018, the Board of Directors of the Company approved the share-swap transaction between ISM and the shareholders of Udenna Corporation (Udenna), namely: Mr. Dennis A. Uy, Mrs. Cherylyn C. Uy ("Uy Spouses"), and Silver Crescent Global Ltd. ("Silver Crescent") and Elite First Investment Limited ("Elite"). The Uy Spouses, Silver Crescent and Elite shall be collectively referred to as the "Udenna Shareholders". ISM will issue 24,058,105,850 ISM common shares (the "ISM Shares") to the Udenna Shareholders in exchange for a total of 5,000,000,000 Udenna common shares and 701,250,000 Udenna preferred shares (the "Share Swap Transaction"). The Udenna Shares to be exchanged are broken down as follows: (a) 2,000,000,000 issued and outstanding Udenna common shares (the "Udenna Shares"), representing 100% of the current issued and outstanding capital of Udenna currently held by the Uy Spouses, (b) 3,000,000,000 Udenna common shares to be issued from Udenna's pending increase in its authorized capital stock, which are currently subscription rights of the Udenna Common Shareholders to Udenna's pending capital increase (the "Common Subscription Rights") and (c) 701,250,000 Udenna preferred shares to be issued from Udenna's pending increase in its authorized capital stock, which are currently subscription rights of Elite to Udenna's pending capital increase (the "Preferred Subscription Rights"). The Common Subscription Rights and Preferred Subscription Rights shall be collectively referred to as the "Subscription Rights". The ISM Shares will be issued at Php3.00 per common share, subject to independent valuer's confirmation and shareholders' approval. Upon completion of the swap, ISM will own 100% of the issued and outstanding shares of Udenna.

The proposed amendments to the Parent Company's artciles of incorporation were confirmed and ratified by the shareholders of the Parent Company during the special stockholders' meeting held on January 31, 2019.

b. Treasury Shares

On November 28, 2014, the BOD of the Group approved the conduct of an issuer tender offer for 1,200,000,000 of its common shares at an offer price equivalent to the prevailing market price of Php1.52 per share. From a total of 1,412,212,410 tendered shares received, 1,199,999,993 shares were accepted at a price of ₱1.52 per share or for a total consideration of ₱1,823,999,989. The accepted shares were crossed on the Philippine Stock Exchange on February 2, 2015. As a result of the tender offer, the outstanding shares of the Group are 716,216,156 common shares as of December 31, 2015.

On January 26, 2016, the BOD of ISM approved the reissuance of a total of 358,108,078 Treasury Shares (Safe Shares) to its shareholders of record as of February 5, 2016 ("Eligible Shareholders"). Under the terms approved by the Board, Eligible Shareholders were entitled to buy one Treasury Share for every two common shares held as of February 5, 2016 at a price of ₱1.00 per share. The offer period of the sale began last February 9, 2015 and ended last March 15, 2016. The Group successfully concluded the sale of the Safe Shares and were successfully transferred to the participating shareholders via the facilities of the Exchange on March 21, 2016. As a result, the remaining treasury shares as of December 31, 2017 and 2016 is 841,945,107.

On August 15, 2018, the BOD approved the proposed sale of the Group's treasury shares to Accion Common Development Fund SPC at a purchase price of P1.45 per share or for a total price of ₱1,220.8 million, 25% of which is payable upon execution of the deed of assignment and the 75% shall be payable no later than the end of the year. The agreement further provides that both parties shall agree when to transact the transfer of treasury shares through the facilities of the Philippine Stock Exchange. As at December 31, 2018, the date of transfer has not been agreed yet by both parties. However, the total purchase price was collected as of December 31, 2018.

c. Prior Period Restatements

In 2015, the Group entered into an investment management agreement (IMA) where the Group availed the services of a trustee bank (investment manager) relative to the management and investment of funds amounting to ₱351 million (the Fund). The Fund, without distinction to principal and income, are invested and reinvested in one or more fixed income placements and securities, other money market or direct placements, or in government securities, and other duly registered commercial papers, whether singly or commingled with other IMA accounts, upon written instruction and/or confirmation of the Group. The agreement further clarified that it is an agreement of agency, whereby the legal title to the Fund should retain to the Group. Accordinly, each financial instruments in the portfolio of investments shall be recorded directly in the books of the Group, classified and measured depending on the type of each financial instruments. However, during the prior years, the whole investment has been classified by the Group as one line item under the Available-For-Sale (AFS) Financial Assets account in the consolidated statement of financial position. Further, income and expenses arising from the investment, such as dividend income, interest income, trust fees, taxes and fair value gains or losses, were all recorded under the Other Comprehensive Income account in the consolidated statement of comprehensive income. Income arising from interests and dividends should be measured as interest income and dividend income, respectively, and expenses such as trust fees and taxes, should be recorded in the profit or loss while any fair value gains or losses should be recorded under other comprehesive income.

Further, on November 28, 2017, the BOD approved the plannned conversion of portion of the Group's notes and interest receivables from Acentic to equity in respect to Acentic's proposed restructuring. The remaining balance of the notes and interest receivable after the proposed conversion will be consolidated into one loan agreement. The agreementfurther provides that the Parent Company's subsidiary, Wagas, through transfer of the notes receivable and interest receivable from the Parent Company, shall receive 4,150,682 preferred shares from Acentic in the amount of £4,150,682 as payment for the portion of the notes and interest receivable. In the consolidated financial statements as of December 31, 2017, which were authorized for issuance on April 16, 2018, the effect of the conversion were not taken up as both parties are still negotiating the final terms for the conversion and consolidation of the loans and interest receivable. However, on June 21, 2018, Acentic has released its 2017 audited financial statements stating that it has issued already the preferred shares, of which Wagas is one of the holders.

Based on the foregoing, in 2018, the Group restated its consolidated financial statements as of and for the year ended December 31, 2017 in order to take up the proper classification of the financial instruments under IMA and to establish the transfer of the notes receivable to Wagas.

13. **Earnings (Loss) Per Share**

Basic and diluted EPS are computed as follows:

	Mar 31 2019	Dec 31 2018
Net profit (loss) for the year	₱2,557,235	(₱6,832,601)
Divided by weighted number of outstanding common shares	1,958,054,893	1,726,771,510
Basic and Diluted EPS	0.0013	(₱0.004)

As at March 31, 2019 and December 31, 2018, the Group has no potential dilutive debt or equity instruments.

14. **Commitments and Contingencies**

The following are the significant commitments and contingencies involving the Group:

a. Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating lease agreements covering certain offices and parking slots. The leases have terms ranging from one to four years, with renewal options, and include annual escalation rate of 5%.

b. Others

There are other commitments and contingent liabilities that may arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of Mar 31 2019 and Dec 31, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements at the end of the reporting period.

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

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 16. The main types of risks are market risk, credit risk and liquidity risk.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee identifies all issues affecting the operations of the Group and reports regularly to the BOD on its activities.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

a. Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its investing and financing activities.

- Foreign Currency Risk

  Most of the Group's transactions are carried out in Philippine pesos, its functional currency. To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

  Exposures to currency exchange rates arise, primarily, from its US dollar-denominated cash and cash equivalents. Further, the Group has notes receivables from Acentic, which were transacted in Euro.

- Interest Rate Risk

  The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at Mar 31 2019 and Dec 31 2018, the Group has no outstanding long-term borrowings. The Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term investments, which are subject to variable interest rates (see Notes 4 and 5). All other financial assets and liabilities have fixed rates.

- Other Price Risk

  The Group's market price risk arises from its investments carried at FVOCI. The Group manages exposures to price risk by monitoring the changes in the market price of the investments.

b. Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from placing deposits with banks; and, investing in bonds that are carried at FVOCI.

The Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statement of financial position or in the detailed analysis provided in these notes, as summarized below:

	Mar 31 2019	Dec 31 2018
Cash and cash equivalents	₱2,565,087,234	₱2,871,653,216
Receivables – net	1,162,477,407	845,235,579
Financial assets at FVOCI	668,310,648	261,720,492
	₱4,395,875,289	₱3,978,609,287

- Cash and cash equivalents

  The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱0.5 million for every depositor per banking institution.

- Receivables - net

  In 2018, the Group applies the PFRS 9 simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all receivables and advances to related parties.

  To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due. Management considers the ECL on the Group's receivables to be negligible as the historical loss rates from counterparties are low and deemed insignificant.

- Debt Securities

  In 2018, debt securities measured at FVOCI are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

c. Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

16. **Fair Value Measurement**

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

17. **Capital Management Objectives, Policies and Procedures**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	Mar 31 2019	Dec 31 2018
Total liabilities	₱1,723,951	₱1,438,593
Total equity	4,401,009,032	4,285,774,123
Debt-to-equity ratio	0.00 : 1.00	0.00 : 1.00

The BOD's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

BOD uses debt-to equity ratio to monitor and review, on a regular basis, the Group's capital, defined as total equity includes capital stock, additional paid-in capital, revaluation reserves and retained earnings, net of treasury stock as shown in the consolidated statements of financial position.

ISM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS MARCH 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS2: Share-based payment, Classification and Measurement of Shared-based Payment Transaction			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9, Prepayment features with negative compensation	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendments to PFRS 11: Remeasurement of Previously Hel Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 16	Leases	✓		
PFRS 17	Insurance Contracts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendments to PAS 12 – Tax Consequences of Dividends			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs			✓
	Amendments to PAS 23: Eligibility for Capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception	✓		
	Amendments to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss	✓		
	Amendments to PAS 28: Long-term Interest in Associates and Joint Venture			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40: Investment Property, Transfer of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advances Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓