CR06896-2019

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended
   Sep 30, 2019
2. SEC Identification Number
   102165
3. BIR Tax Identification No.
   000-803-498-000
4. Exact name of issuer as specified in its charter
   Bright Kindle Resources & Investments, Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   16th floor, Citibank Tower, Paseo de Roxas, Makati City
   Postal Code
   1227
8. Issuer's telephone number, including area code
   (+632)833-0769
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| COMMON | 1,528,474,000 |

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (•) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- (selected) Yes
- No

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

- (selected) Yes
- No



BKR
Bright Kindle Resources & Investments, Inc.

# Bright Kindle Resources & Investments Inc.
# BKR

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

| | |
|---|---|
| **For the period ended** | Sep 30, 2019 |
| **Currency (indicate units, if applicable)** | Philippine Peso |

**Balance Sheet**

| | Period Ended | Fiscal Year Ended (Audited) |
|---|---|---|
| | Sep 30, 2019 | Dec 31, 2018 |
| **Current Assets** | 24,367,684 | 26,025,183 |
| **Total Assets** | 2,603,979,740 | 2,632,607,791 |
| **Current Liabilities** | 1,673,578,723 | 1,672,959,629 |
| **Total Liabilities** | 1,673,578,723 | 1,672,959,629 |
| **Retained Earnings/(Deficit)** | 82,393,947 | 111,641,092 |
| **Stockholders' Equity** | 930,401,017 | 959,648,162 |
| **Stockholders' Equity - Parent** | - | - |
| **Book Value per Share** | 0.61 | 0.63 |

**Income Statement**

| | Current Year (3 Months) | Previous Year (3 Months) | Current Year-To-Date | Previous Year-To-Date |
|---|---|---|---|---|
| **Gross Revenue** | 252 | 313 | 442 | 877 |
| **Gross Expense** | 1,073,919 | 1,118,234 | 3,730,334 | 4,124,488 |

| | | | | |
|---|---|---|---|---|
| **Non-Operating Income** | 25,931,749 | 2,306,779 | -25,517,253 | 4,300,755 |
| **Non-Operating Expense** | 0 | 0 | 0 | 0 |
| **Income/(Loss) Before Tax** | 24,858,082 | 1,188,858 | -29,247,145 | 177,144 |
| **Income Tax Expense** | 0 | 0 | 0 | 0 |
| **Net Income/(Loss) After Tax** | 24,858,082 | 1,188,858 | -29,247,145 | 177,144 |
| **Net Income Attributable to Parent Equity Holder** | 0 | 0 | 0 | 0 |
| **Earnings/(Loss) Per Share (Basic)** | 0.02 | 0 | -0.02 | 0 |
| **Earnings/(Loss) Per Share (Diluted)** | 0.02 | 0 | -0.02 | 0 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|---|---|---|
| **Earnings/(Loss) Per Share (Basic)** | -0.07 | -0.03 |
| **Earnings/(Loss) Per Share (Diluted)** | -0.07 | -0.03 |

| Other Relevant Information |
|---|
| none |

**Filed on behalf by:**

| | |
|---|---|
| **Name** | Raquel Frondoso |
| **Designation** | Compliance officer |

**COVER SHEET**

0 0 0 0 1 0 2 1 6 5

S.E.C. Registration Number

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC. (A Subsidiary of RYM Business Management Corp.)

(Company's Full Name)

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

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

**ROLANDO S. SANTOS**

Contact Person

**817-6046/817-4183**

Company Telephone Number

1 2 3 1

*Month* *Day*

Fiscal Year

**SEC 17-Q**

FORM TYPE

Last Thursday of May

*Month* *Day*

Annual Meeting

**N/A**

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

**630**

Total No. of Stockholders

**1,671,501,723**

Domestic

**nil**

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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

1. For the quarterly period ended **September 30, 2019**

2. Commission Identification Number **102165**

3. BIR Tax Identification No. **000-803-498-000**

4. Exact name of registrant as specified in its charter: **BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.**

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

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

7. **16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City 1209**
   Address of issuer's principal office Postal Code

8. **632 / 833-0769**
   Registrant's telephone number, including area code

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

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Stock, P0.55 par value** | **1,528,474,000 (as of 09/30/19)** |

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

    Yes [x] No [ ]

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 12 months (or for shorter period the registrant was required to file such reports):

    Yes [x] No [ ]

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

    Yes [x] No [ ]

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## PART I – FINANCIAL INFORMATION

### Item 1. – Financial Statements

The unaudited Financial Statements of Bright Kindle Resources & Investments, Inc. ("the Company") as at September 30, 2019 (with comparative audited Statements of Financial Position as at December 31, 2018), and for the three months and nine months ended September 30, 2018 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of statements of financial position as at September 30, 2019 and December 31, 2018:

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) | Increase (decrease) | |
|---|---|---|---|---|
| | | | Amount | Percentage |
| | **(₱'000)** | (₱'000) | (₱'000) | |
| Current assets | **₱24,368** | ₱26,025 | (₱1,657) | (6.37%) |
| Noncurrent assets | **2,579,612** | 2,606,583 | (26,971) | (1.03%) |
| Total Assets | **₱2,603,980** | ₱2,632,608 | (₱28,628) | (1.09%) |
| Current Liabilities | **₱1,673,579** | ₱1,672,960 | ₱619 | 0.04% |
| Equity | **930,401** | 959,648 | (29,247) | (3.05%) |
| Total Liabilities and Equity | **₱2,603,980** | ₱2,632,608 | (₱28,628) | (1.09%) |

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

| | **For the three months ended September 30,** | | **For the nine months ended September 30,** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **(₱'000)** | (₱'000) | **(₱'000)** | (₱'000) |
| General and administrative expenses | **(₱1,074)** | (₱1,118) | **(₱3,730)** | (₱4,124) |
| Share in net income (loss) of an associate | **25,932** | 2,307 | **(25,517)** | 4,301 |
| Interest income | **0** | 0 | **0** | 1 |
| Income (loss) | **₱24,858** | ₱1,189 | **(₱29,247)** | ₱178 |

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

| | **For three months ended September 30,** | | **For nine months ended September 30,** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **(₱'000)** | (₱'000) | **(₱'000)** | (₱'000) |
| Cash provided by (used in) operating activities | **(₱384)** | (₱420) | **₱155** | (₱216) |
| Cash provided by (used in) investing activities | – | – | – | – |
| Cash provided by (used in) financing activities | – | – | – | – |
| Net increase (decrease) in cash | **(384)** | (420) | **155** | (216) |
| Cash at beginning of period | **798** | 814 | **259** | 610 |
| Cash at end of period | **₱414** | ₱394 | **₱414** | ₱394 |

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

*Results of Operation*

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

*Revenue*
The Company is not yet operating, hence, revenues generated mainly comes from interest on bank deposits. No significant movement in the Company's interest income.

*General and administrative expenses*
Total general and administrative expenses for the period of ₱3.73 million is lower by ₱0.39 million or 9.56% compared with same period last year. Significant movements are attributed to the following

a. *Depreciation*
The decline in depreciation by ₱0.08 million or 5.13% compared with same period last year, is mainly attributed to the fully-depreciated service vehicle of the Company, which was already fully amortized since February 2018. The same vehicle was sold on April 20, 2018 (see Note 6).

b. *Professional fees*
The decrease in professional fees by ₱0.06 million or 10.73% is mainly due to lower annual listing fee this year, as compared with same period last year.

c. *Outside services*
Outside services this period amounting to ₱0.32 million is lower by ₱0.17 million or 34.33% compared with same period last year. This is due to the payments made for the design, production and printing of the Company's annual report last year.

*Share in net income (loss) of an associate*
The Company's share in net loss of an associate amounted to ₱25.52 million this period. This is lower by ₱29.82 million, comparing with same period last year. MARC, an associate, is in net loss position as of September 30, 2019, as opposed to net income position same period in 2018.

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

*Revenue*
The Company is not yet operating, hence, revenues generated mainly comes from interest on bank deposits. No significant movement in the Company's interest income.

*General and administrative expenses*
Total general and administrative expenses for the period amounting to ₱1.07 million has declined slightly by ₱0.04 million or 3.96% comparing with the same period last year. No significant expenses has been incurred by the Company for the period.

*Share in net income of an associate*
The Company's share in net income of an associate amounted to ₱25.93 million this period. This is higher by ₱23.64 million, comparing with same period last year. MARC's results of operations has improved during the three months of the year.

*Statements of Financial Position*

The significant changes in the statement of financial position accounts during the nine months ended September 30, 2019 compared with the December 31, 2018 level are as follows:

- *Cash*
  The Company cash balance has increased by ₱0.15 million or 59.77%. The movement is mainly due to collection of ₱2.0 million of receivable from a related party and ₱0.87 million advances made by an affiliate for the Company's working capital requirements, which was offset by payments made pertaining to the Company's operating expenses.

- *Due from related parties*
  The decrease in this account by ₱2.0 million is mainly due to collection of receivables from a related party during the period.

- *Other current assets*
  The increase in other current assets is mainly attributable to additions in Input VAT from purchase of domestic services, totaling ₱0.16 million during the period.

- *Property and equipment*
  Decrease in property and equipment by ₱1.45 million is mainly due to depreciation for the period. No additions and/or disposals were made in 2019.

- *Investment in an associate*
  The Company's investment in an associate has declined by ₱25.52 million, which movement represents the share in net loss of an associate during the period.

- *Accrued expenses and other current liabilities*
  This account decreased by ₱0.25 million or 53.93%, due to payments made on the previous year's accruals.

- *Due to a related party*
  There is an increase of ₱0.87 million or 86.60% due to additional advances from an affiliate, which was used by the Company for its working capital requirements.

- *Retained earnings*
  The decline in retained earnings by ₱29.25 million, pertains to the net loss recognized for the period.

*Statements of Cash Flows*

Net cash provided by operating activities for the nine months ended September 30, 2019 amounts to ₱0.15 million, while cash used in operating activities in same period last year was ₱0.22 million. Increase in cash for the current period is the net result of the following significant transactions:

- Payment of operating expenses during the period.
- Advances made by an affiliate totaling ₱0.87 million.
- Collection of ₱2.0 million from a related party.

*HORIZONTAL AND VERTICAL ANALYSIS*

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) | Increase (Decrease) Amount | Percentage |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | **₱413,553** | ₱258,845 | ₱154,708 | 59.77% |
| Due from related parties | **14,455,581** | 16,455,581 | (2,000,000) | (12.15%) |
| Other current assets | **9,498,550** | 9,310,757 | 187,793 | 2.02% |
| Total Current Assets | **24,367,684** | 26,025,183 | (1,657,499) | (6.37%) |
| **Noncurrent Assets** | | | | |
| Property and equipment | **41,684,903** | 43,138,202 | (1,453,299) | (3.37%) |
| Investment in an associate | **2,537,927,153** | 2,563,444,406 | (25,517,253) | (1.00%) |
| Total Noncurrent Assets | **2,579,612,056** | 2,606,582,608 | (26,970,552) | (1.03%) |
| | **₱2,603,979,740** | ₱2,632,607,791 | (₱28,628,051) | (1.09%) |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Accrued expenses and other current liabilities | **₱210,969** | ₱457,906 | **(₱246,937)** | (53.93%) |
| Due to a related party | **1,866,031** | 1,000,000 | 866,031 | 86.60% |
| Note payable | **1,671,501,723** | 1,671,501,723 | – | – |
| Total Current Liabilities | **1,673,578,723** | 1,672,959,629 | 619,094 | 0.04% |
| **Equity** | | | | |
| Capital stock | **840,660,700** | 840,660,700 | – | – |
| Retained earnings | **82,393,947** | 111,641,092 | (29,247,145) | (26.20%) |
| Other comprehensive income | **7,346,370** | 7,346,370 | – | – |
| Total Equity | **930,401,017** | 959,648,162 | (29,247,145) | (3.05%) |
| | **₱2,603,979,740** | ₱2,632,607,791 | (₱28,628,051) | (1.09%) |

*Key Performance Indicators*

| | **September 30, 2019** | September 30, 2018 |
|---|---|---|
| Net income (loss) | **(₱29,247,145)** | ₱177,144 |
| Quick assets | **14,869,134** | 56,684,643 |
| Current assets | **24,367,684** | 65,316,067 |
| Total Assets | **2,603,979,740** | 2,754,101,053 |
| Current liabilities | **1,673,578,723** | 1,710,211,589 |
| Total liabilities | **1,673,578,723** | 1,710,211,589 |
| Stockholders' Equity | **930,401,017** | 1,043,889,464 |
| Number of common shares outstanding | **1,528,474,000** | 1,528,474,000 |
| Liquidity ratios: | | |
| Current ratio (1) | **0.01:1** | 0.04:1 |
| Quick ratio (2) | **0.01:1** | 0.03:1 |
| Solvency Ratios: | | |
| Debt ratio (3) | **0.64:1** | 0.62:1 |
| Debt to Equity ratio (4) | **1.80:1** | 1.64:1 |
| Profitability ratios: | | |
| Return on equity (5) | **(0.03)** | 0.0002 |
| Return on assets (6) | **(0.01)** | 0.0001 |
| Income (loss) per share (7) | **(0.02)** | 0.0001 |

*Other Information*

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

Nothing to disclose.

b. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Nothing to disclose.

c. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Nothing to disclose.

d. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

Nothing to disclose.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

Nothing to disclose.

f. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

Nothing to disclose.

## PART II - OTHER INFORMATION

The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

## PART III - FINANCIAL SOUNDNESS INDICATORS

| | **September 30, 2019** | September 30, 2018 |
|---|---|---|
| **Liquidity Ratio** | | |
| *Current Ratio* | **0.01** | 0.04 |
| Current assets | **24,367,684** | 65,316,067 |
| Current liabilities | **1,673,578,723** | 1,710,211,589 |
| *Quick Ratio* | **0.01** | 0.03 |
| Quick asset | **14,869,134** | 56,684,643 |
| Current liabilities | **1,673,578,723** | 1,710,211,589 |
| **Solvency Ratio** | | |
| *Debt Ratio* | **0.64** | 0.62 |
| Total liabilities | **1,673,578,723** | 1,710,211,589 |
| Total assets | **2,603,979,740** | 2,754,101,053 |
| *Debt-to-equity Ratio* | **1.80** | 1.64 |
| Total liabilities | **1,673,578,723** | 1,710,211,589 |
| Total equity | **930,401,017** | 1,043,889,464 |
| **Profitability Ratio** | | |
| *Asset-to-equity Ratio* | **2.80** | 2.64 |
| Total assets | **2,603,979,740** | 2,754,101,053 |
| Total equity | **930,401,017** | 1,043,889,464 |
| *Return on Equity Ratio* | **(0.03)** | 0.0002 |
| Net income (loss) | **(29,247,145)** | 177,144 |
| Average shareholder's equity | **945,024,590** | 1,043,800,892 |
| *Return on Assets* | **(0.01)** | 0.0001 |
| Net income (loss) | **(29,247,145)** | 177,144 |
| Average total assets | **2,618,293,766** | 2,754,022,470 |

## SIGNATURES

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

Issuer: **BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.**

Date: 04 November 2019

**ROLANDO S. SANTOS**
VP – Finance/Treasurer

for:
**JACKY-LYN S. VALENZUELA**
Accountant

# BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
**(A Subsidiary of RYM Business Management Corp.)**

## STATEMENTS OF FINANCIAL POSITION

| | Note | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | 4 | **₱413,553** | ₱258,845 |
| Due from related parties | 12 | **14,455,581** | 16,455,581 |
| Other current assets | 5 | **9,498,550** | 9,310,757 |
| Total Current Assets | | **24,367,684** | 26,025,183 |
| **Noncurrent Assets** | | | |
| Property and equipment | 6 | **41,684,903** | 43,138,202 |
| Investment in an associate | 7 | **2,537,927,153** | 2,563,444,406 |
| Total Noncurrent Assets | | **2,579,612,056** | 2,606,582,608 |
| | | **₱2,603,979,740** | ₱2,632,607,791 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Accrued expenses and other current liabilities | 8 | **₱210,969** | ₱457,906 |
| Due to a related party | 12 | **1,866,031** | 1,000,000 |
| Note payable | 9 | **1,671,501,723** | 1,671,501,723 |
| Total Current Liabilities | | **1,673,578,723** | 1,672,959,629 |
| **Equity** | | | |
| Capital stock | | **840,660,700** | 840,660,700 |
| Retained earnings | | **82,393,947** | 111,641,092 |
| Other comprehensive income | | **7,346,370** | 7,346,370 |
| Total Equity | | **930,401,017** | 959,648,162 |
| | | **₱2,603,979,740** | ₱2,632,607,791 |

*See accompanying Notes to Financial Statements.*

# BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)

## UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | Note | **2019** | 2018 | **2019** | 2018 |
| **GENERAL & ADMINISTRATIVE EXPENSES** | 11 | **(₱1,073,919)** | (₱1,118,234) | **(₱3,730,334)** | (₱4,124,488) |
| **SHARE IN NET INCOME (LOSS) OF AN ASSOCIATE** | 7 | **25,931,749** | 2,306,779 | **(25,517,253)** | 4,300,755 |
| **INTEREST INCOME** | 4 | **252** | 313 | **442** | 877 |
| **INCOME (LOSS)** | | **₱24,858,082** | ₱1,188,858 | **(₱29,247,145)** | ₱177,144 |
| **LOSS PER SHARE - BASIC AND DILUTED** | 13 | **₱0.02** | ₱0.001 | **(₱0.02)** | ₱0.0001 |

*See accompanying Notes to Financial Statements.*

# BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
**(A Subsidiary of RYM Business Management Corp.)**

## UNAUDITED STATEMENTS OF CHANGES IN EQUITY

| | Note | **September 30, 2019** | September 30, 2018 |
|---|---|---|---|
| **CAPITAL STOCK** - ₱0.55 par value | 10 | | |
| Authorized - 2,000,000,000 shares | | | |
| Issued, subscribed and outstanding - 1,528,474,000 shares | | **₱840,660,700** | ₱840,660,700 |
| **RETAINED EARNINGS** | | | |
| Balance at beginning of period | | **111,641,092** | 196,278,091 |
| Net income (loss) | | **(29,247,145)** | 177,144 |
| Balance at end of period | | **82,393,947** | 196,455,235 |
| Share in other comprehensive income of an associate: | | **7,346,370** | 6,773,529 |
| **TOTAL EQUITY** | | **₱930,401,017** | ₱1,043,889,464 |

*See accompanying Notes to Financial Statements.*

## BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.

**(A Subsidiary of RYM Business Management Corp.)**

## UNAUDITED STATEMENTS OF CASH FLOWS

| | Note | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before tax | | **(₱29,247,145)** | ₱177,144 |
| Adjustments for: | | | |
| Share in net loss (income) of an associate | 7 | **25,517,253** | (4,300,755) |
| Depreciation | 6 | **1,453,299** | 1,531,846 |
| Interest income | 4 | **(442)** | (877) |
| Operating loss before working capital changes | | **(2,277,035)** | (2,592,642) |
| Decrease (increase) in: | | | |
| Due from related parties | | **2,000,000** | 2,418,000 |
| Other current assets | | **(187,793)** | (22,150) |
| Increase (decrease) in: | | | |
| Accrued expenses and other current liabilities | | **(246,937)** | (19,978) |
| Due to a related party | | **866,031** | – |
| Net cash provided by (used in) operations | | **154,266** | (216,770) |
| Interest received | | **442** | 877 |
| **INCREASE (DECREASE) IN CASH** | | **154,708** | (215,893) |
| **CASH AT BEGINNING OF PERIOD** | | **258,845** | 610,059 |
| **CASH AT END OF PERIOD** | | **₱413,553** | ₱394,166 |

*See accompanying Notes to Financial Statements.*

## BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)

## UNAUDITED STATEMENTS OF CASH FLOWS

| | Note | Three Months Ended September 30, 2019 | 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before tax | | **₱24,858,082** | ₱1,188,858 |
| Adjustments for: | | | |
| Share in net income of an associate | 7 | **(25,931,749)** | (2,306,779) |
| Depreciation | 6 | **484,136** | 481,566 |
| Interest income | 4 | **(252)** | (313) |
| Operating loss before working capital changes | | **(589,783)** | (636,668) |
| Decrease (increase) in: | | | |
| Due from related parties | | **500,000** | 373,000 |
| Other current assets | | **(137,120)** | (156,999) |
| Increase (decrease) in: | | | |
| Accrued expenses and other current liabilities | | **(157,379)** | 214 |
| Net cash provided (used in) by operations | | **(384,282)** | (420,453) |
| Interest received | | **252** | 313 |
| **INCREASE (DECREASE) IN CASH** | | **(384,030)** | (420,140) |
| **CASH AT BEGINNING OF PERIOD** | | **797,583** | 814,306 |
| **CASH AT END OF PERIOD** | | **₱413,553** | ₱394,166 |

*See accompanying Notes to Financial Statements.*

## 1. Corporate Information

### General Information

Bright Kindle Resources & Investments, Inc. (the Company), formerly Bankard, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 4, 1981 as a credit card corporation. On March 21, 1995, the Company listed its shares with The Philippine Stock Exchange, Inc. (PSE).

On October 18, 2013, the Board of Directors (BOD) of Rizal Commercial Banking Corporation (RCBC) approved the sale of its 89.98% collective stake in the Company to RYM Business Management Corp. (the Parent Company) and other investors. The Parent Company acquired 76.56% interest in the Company.

In November 2013, the BOD approved the amendment to change the corporate name to Bright Kindle Resources & Investments, Inc. and primary business purpose to a holding company.

The Company's principal office address is at 16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City.

### Investment in Marcventures Holdings, Inc. (MARC)

On December 15, 2014, the Company acquired 600,000,000 shares of MARC representing 33% equity interest for ₱2,604.0 million from the Philippine Business Bank - Trust and Investment Center (PBB) (see note 7).

On December 29, 2017, the SEC approved the application of the merger of MARC, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC), with MARC as the surviving entity. MARC issued 1,125,000,000 shares to BHI and APMPC resulting to a reduction of the Company's equity interest in MARC to 20%. In 2018, MARC issued 45,731,706 shares at ₱1.64 shares or a total of ₱75 million to a major stockholder resulting to a reduction of the Company's equity interest in MARC to 19.90%.

On February 13, 2017, Marcventures Mining and Development Corporation (MMDC), a subsidiary of MARC, received an order dated February 8, 2017 from the Department of Environment and Natural Resources cancelling its Mineral Production Sharing Agreement (MPSA). The management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the MMDC's operations.

MMDC's management will take all the necessary legal actions and exhaust all remedies available to prevent the implementation of the order. The management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will be in favor of the Company. MMDC has continued its mining operations in the areas covered by the MPSA.

On February 22, 2017, MMDC has filed a Notice of Appeal to Office of the President.

## 2. Summary of Significant Accounting Policies

**Basis of Preparation**

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

**Measurement Bases**

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

The financial statements have been prepared using the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

Further information about the assumptions made in measuring fair value is included in Note 15, *Financial Risk Management Objectives and Policies*.

**Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2018:

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

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

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

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be an objective evidence of impairment.

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

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

  Based on the Company's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9. The Company has adopted PFRS 9 retrospectively.

  Financial assets classified as loans and receivables under PAS 39 are classified as financial assets at amortized cost under PFRS 9. These financial assets include cash in banks and due from related parties. Accordingly, there were no changes in the carrying amount of the financial assets upon adoption of PFRS 9.

  The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using general approach, has no impact on the carrying amounts of the Company's financial assets carried at amortized cost.

  There is no material impact on the basic and diluted earnings per share as a result of the Company's adoption of PFRS 9.

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

The Company's revenue mainly arises from interest income from cash in banks and share in net income from an associate. Accordingly, the adoption of PFRS 15 has no significant impact on the financial statements of the Company.

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

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

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

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

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

**Financial Assets and Liabilities**

*Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

*"Day 1" Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

*Classification and Subsequent Measurement Policies.* The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at September 30, 2019 and December 31, 2018, the Company does not have financial assets and liabilities at FVPL, and financial assets at FVOCI.

*Financial Assets at Amortized Cost.* Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for ECL, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2019 and December 31, 2018, the Company's cash in banks and due from related parties are classified under this category.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at September 30, 2019 and December 31, 2018, the Company's accrued expenses, due to a related party and note payable are classified under this category.

**Reclassification**
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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

For financial instruments assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

**Derecognition of Financial Assets and Liabilities**

*Financial Assets.* A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

**Offsetting of Financial Assets and Liabilities**
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

**Classification of Financial Instrument between Liability and Equity**
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

**Other Current Assets**
Other current assets include input value-added tax (VAT), current portion of deferred input VAT, creditable withholding tax (CWT) and prepayments.

*VAT.* Revenue, expenses and assets are recognized net of the amount of VAT, except for receivables and payables that are stated with the amount of VAT included. The net amount of input VAT recoverable from the tax authority is included as part of "Other current assets" account in the statements of financial position.

*Deferred input VAT.* In accordance with the Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

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

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

**Investment in an Associate**
Investment in an associate is recognized initially at cost and subsequently accounted for using the equity method.

An associate is an entity in which the Company has significant influence but not control, over the financial and operating policies of such entity. The Company's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying value of the investment.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Company determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying value of the investment and recoverable amount.

**Property and Equipment**
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable purchase taxes after deducting trade discounts and rebates and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, nay other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

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

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

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

| | Number of Years |
|---|---|
| Condominium unit | 31 |
| Office furniture and fixtures | 3-5 |
| Service vehicle | 3 |

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

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

**Impairment of Nonfinancial Assets**

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over remaining useful life.

**Equity**

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

*Retained earnings.* Retained earnings represent the cumulative balance of net income or loss net of any dividend declaration.

*Other Comprehensive Income (OCI).* OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Company pertains to share in OCI of an associate.

**Revenue Recognition**
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

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

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

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

**Expenses Recognition**
Expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably.

*General and administrative expenses.* General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

**Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

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

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

**Basic and Diluted Earnings (Loss) Per Share**
Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split and excluding common shared purchased by the Company and held as treasury shares.

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

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

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

The Company has no operating segment other than being a holding company.

**Related Party Relationship and Transactions**
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

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

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

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

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

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The judgment, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The following are the significant judgments, accounting estimates and assumptions made by the Company:

*Classifying Investment Property and Owner-occupied Property.* The Company considers a property as an investment property when the property generates cash flows which are largely independent of other assets held by the Company and a property as owner-occupied property when cash flows generated by it pertains not only to the property but also to other assets used for operations or administrative purposes.

A property may comprise of portions held for capital appreciation and portions used in operation or administrative purpose. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in operation or for administrative purpose.

The Company classified its condominium unit under property and equipment.

*Determining Significant Influence over MARC.* When an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee; interchange of managerial personnel; or
- provision of essential technical information

The Company has determined that the decrease in ownership interest in MARC in 2018 resulting to a less than 20% ownership interest would not affect its significant influence by virtue of the existence of the above indicators in the Company's dealings with MARC.

*Assessing Modification on the Terms of the Note Payable.* The Company considers its note payable to be substantially modified if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability. Such modification will result to derecognition of original liability and the recognition of a new liability.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying value is adjusted by the costs or fees paid or received in the restructuring.

The Company assessed that there is no substantial modification on the terms of the note payable.

*Determining Operating Segments.* The Company determines and presents operating segments based on the information that is internally provided to the BOD. As at June 30, 2019 and December 31, 2018, the Company has determined that it has no operating segment other than being a holding company.

*Assessment of Impairment of Financial Assets at Amortized Cost.* The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months ECL. The Company has assessed that the ECL for other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2019 and 2018.

The carrying amounts of the Company's financial assets at amortized cost are as follows:

| | Note | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|---|
| Cash in banks | 4 | **₱408,553** | ₱253,845 |
| Due from related parties | 12 | **14,455,581** | 16,455,581 |

*Assessment of Impairment of Investment in an Associate.* The Company assesses the impairment of investment in an associate whenever events or changes in circumstances indicate that the carrying amount of investment in an associate may not be recoverable. Factors that the Company considered in deciding when to perform impairment review include the following, among others:

- significant decline in business and operating performance in relation to expectations; and
- significant changes in the business operations and strategies of the Company and its associate.

Based on management assessment, there are no indicators for impairment that will warrant impairment assessment. The management and its legal counsel believe that the order for the cancellation of MMDC's MPSA will not have a material adverse effect on MMDC's operations (see Note 1). Accordingly, no impairment loss was recognized in 2019 and 2018. The carrying amount of investment in associates amounted to ₱2,537.9 million and ₱2,563.4 million as at September 30, 2019 and December 31, 2018, respectively (see Note 7).

*Assessing Impairment of Other Nonfinancial Assets.* The Company assesses impairment on other nonfinancial assets whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying value of an asset exceeds it recoverable amount. The recoverable amount is computed using the value-in-use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized in 2019 and 2018.

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

| | Note | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|---|
| Other current assets | 5 | **₱9,498,550** | ₱9,310,757 |
| Property and equipment | 6 | **41,684,903** | 43,138,202 |

*Estimating the Useful Lives of Property and Equipment.* The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

There is no change in the estimated useful life of the Company's property and equipment in 2019 and 2018. Carrying value of property and equipment amounted to ₱41.7 million and ₱43.1 million as at September 30, 2019 and December 31, 2018, respectively (see Note 6).

*Assessing Realizability of Deferred Tax Assets.* The Company reviews its deferred tax assets at each reporting date and reduces the carrying value to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets were not recognized on NOLCO and excess of MCIT over RCIT as at December 31, 2018 and 2017 because the management believes that there will be no sufficient taxable profits against which deferred tax assets can be utilized.

The Company's unrecognized deferred tax assets amounted to ₱5.6 million and ₱7.8 million as at December 31, 2018 and 2017, respectively.

## 4. Cash

This account consists of:

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Cash on hand | **₱5,000** | ₱5,000 |
| Cash in banks | **408,553** | 253,845 |
| | **₱413,553** | ₱258,845 |

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱442 and ₱877 in 2019 and 2018, respectively.

## 5. Other Current Assets

This account consists of:

| | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| Input VAT | **₱8,776,044** | ₱8,141,414 |
| CWT | **600,685** | 600,685 |
| Current portion of deferred input VAT | – | 474,999 |
| Prepayments | **100,685** | 74,523 |
| Others | **21,136** | 19,136 |
| | **₱9,498,550** | ₱9,310,757 |

## 6. Property and Equipment

Balances and movements in this account are as follows:

| | Note | September 30, 2019 (Unaudited) | | |
|---|---|---|---|---|
| | | **Condominium Unit** | **Office Furniture and Fixtures** | **Total** |
| **Cost** | | | | |
| Balance at beginning of period | | **₱47,788,569** | **₱1,795,919** | **₱49,584,488** |
| Additions | | – | – | – |
| Balance at end of period | | **47,788,569** | **1,795,919** | **49,584,488** |
| **Accumulated Depreciation** | | | | |
| Balance at beginning of period | | **5,772,153** | **674,133** | **6,446,286** |
| Depreciation | 11 | **1,184,356** | **268,943** | **1,453,299** |
| Balance at end of period | | **6,956,509** | **943,076** | **7,899,585** |
| **Carrying Amount** | | **₱40,832,060** | **₱852,843** | **₱41,684,903** |

| | Note | December 31, 2018 (Audited) | | | |
|---|---|---|---|---|---|
| | | Condominium Unit | Office Furniture and Fixtures | Service Vehicle | Total |
| **Cost** | | | | | |
| Balance at beginning of year | | P47,788,569 | ₱1,735,619 | ₱1,568,650 | ₱51,092,838 |
| Additions | | – | 60,300 | – | 60,300 |
| Disposals | | – | – | (1,568,650) | (1,568,650) |
| Balance at end of year | | 47,788,569 | 1,795,919 | | 49,584,488 |
| **Accumulated Depreciation** | | | | | |
| Balance at beginning of year | | 4,193,012 | 324,999 | 1,481,503 | 5,999,514 |
| Depreciation | 11 | 1,579,141 | 349,134 | 87,147 | 2,015,422 |
| Disposals | | | – | (1,568,650) | (1,568,650) |
| Balance at end of year | | 5,772,153 | 674,133 | – | 6,446,286 |
| **Carrying Amount** | | ₱42,016,416 | ₱1,121,786 | ₱– | P43,138,202 |

On April 20, 2018, a fully-depreciated service vehicle was sold; subsequently, no gain or loss on the disposal of the asset was recognized.

## 7. Investment in an Associate

Movements in this account are as follows:

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| **Acquisition cost** | **₱2,604,000,000** | ₱2,604,000,000 |
| **Accumulated share in equity:** | | |
| Balance at beginning of period | **(40,555,594)** | 36,244,182 |
| Share in: | | |
| Net loss | **(25,517,253)** | (77,372,617) |
| Other comprehensive income | **–** | 572,841 |
| Balance at end of period | **(66,072,847)** | (40,555,594) |
| **Carrying amount** | **₱2,537,927,153** | ₱2,563,444,406 |

The Company has 600,000,000 shares of MARC representing 19.90% equity interest as at September 30, 2019 and December 31, 2018 (see Note 1). MARC's principal place of business is at Unit E, One Luna Place, E. Luna St., Butuan City, Agusan del Norte.

Summarized financial information of MARC follows:

| | **September 30 ,2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Total current assets | **₱1,050,130,416** | ₱551,145,763 |
| Total noncurrent assets | **5,261,282,220** | 5,278,237,211 |
| Total current liabilities | **1,743,568,583** | 1,140,620,272 |
| Total noncurrent liabilities | **810,939,928** | 798,616,529 |
| Revenue | **737,148,665** | 987,255,064 |
| Net loss | **128,227,402** | 388,807,119 |
| Other comprehensive income | **–** | 2,878,596 |

## 8. Accrued Expenses and Other Current Liabilities

This account consists of:

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Accrued expenses | **₱207,681** | ₱455,220 |
| Statutory payables | **3,288** | 2,686 |
| | **₱210,969** | ₱457,906 |

Accrued expenses pertain to accrual of outside services, professional fees, and electricity, among others, which are expected to be settled in the next reporting period.

Statutory payables pertain to withholding taxes that are to be remitted to the government within the next reporting period.

## 9. Note Payable

Movements in this account are as follows:

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Balance at beginning of period | **₱1,671,501,723** | ₱1,710,000,000 |
| Assignment of receivables (see Note 12) | **–** | (38,498,277) |
| Balance at end of period | **₱1,671,501,723** | ₱1,671,501,723 |

The noninterest-bearing note was assigned by PBB to Trans Middle East Philippines Equities, Inc. (TMEE). This liability represents the unpaid portion of the purchase price of the investment in an associate. The note's original maturity date was December 31, 2015 but was extended. Latest extension is until December 31, 2019.

## 10. Equity

On March 21, 1995, the SEC approved the listing of the Company's 118,000,000 million shares at an offer price of ₱1.0 per share. As at September 30, 2019 and December 31, 2018, 1,528,474,000 shares are listed in the PSE.

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

| | Number of shares issued and subscribed | Percentage of shares |
|---|---|---|
| Non-public shareholdings: | | |
| a. Related parties | 1,170,159,989 | 76.56% |
| b. Affiliates, directors and officers | 94,929,000 | 6.21% |
| Public shareholdings | 263,385,011 | 17.23% |
| Total | 1,528,474,000 | 100.00% |

The total number of shareholders of the Company is 630 and 631 as at September 30, 2019 and December 31, 2018, respectively.

The principal market for the Company's capital stock is the PSE. The high and low trading prices of the Company's shares are as follows:

| Quarter | High | Low |
|---|---|---|
| **January to September 2019** | | |
| First | **₱1.68** | **₱1.31** |
| Second | **1.38** | **1.14** |
| Third | **1.43** | **1.11** |
| **January to December 2018** | | |
| First | ₱2.08 | ₱1.55 |
| Second | 1.83 | 1.27 |
| Third | 2.22 | 1.46 |
| Fourth | 1.86 | 1.28 |

## 11. General and Administrative Expenses

This account consists of:

| | Note | **September 30, 2019 (Unaudited)** | September 30, 2018 (Unaudited) |
|---|---|---|---|
| Depreciation | 6 | **₱1,453,299** | ₱1,531,846 |
| Membership dues and other fees | | **1,051,736** | 1,051,736 |
| Professional fees | | **482,800** | 540,829 |
| Outside services | | **315,721** | 480,758 |
| Communication, light and water | | **198,933** | 193,788 |
| Director's fees | | **20,000** | 10,000 |
| Taxes and licenses | | **39,426** | 73,507 |
| Others | | **168,419** | 242,024 |
| | | **₱3,730,334** | ₱4,124,488 |

## 12. Related Party Transactions

The Company has the following transactions with its Parent Company and other related parties:

| | Nature of Transactions | Amount of Transactions | | Outstanding Balances | |
|---|---|---|---|---|---|
| | | **2019 (Unaudited)** | 2018 (Audited) | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
| **Due from Related Parties** | | | | | |
| *Parent Company -* | | | | | |
| RYM | Advances for working capital | **₱–** | ₱– | **₱8,000,000** | ₱8,000,000 |
| *Under common control:* | | | | | |
| MMDC | Advances for working capital | **(2,000,000)** | 3,455,581 | **6,455,581** | 8,455,581 |
| | | | | **₱14,455,581** | ₱16,455,581 |
| **Due to a Related Party** | | | | | |
| *Affiliate -* | | | | | |
| Prime Media Holdings, Inc. | Advances for working capital | **₱866,031** | ₱1,000,000 | **₱1,866,031** | ₱1,000,000 |

Due from related parties are noninterest-bearing, collectible on demand, not impaired and to be settled in cash. Due to a related party is noninterest-bearing, unsecured, payable on demand and to be settled in cash.

The Company assigned the receivable from the Parent Company to TMEE to offset with the note payable amounting to ₱38.5 million and ₱50.0 million in 2018 and 2017, respectively (see Note 9).

**Compensation of Key Management Personnel**

Compensation of key management personnel on short term employee benefits amounted to nil, ₱0.05 million, ₱0.1 million in 2019, 2018 and 2017, respectively.

## 13. Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed as follow:

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Net loss | **(₱29,247,145)** | (₱84,636,999) |
| Weighted average number of common shares outstanding | **1,528,474,000** | 1,528,474,000 |
| Loss per share - basic and diluted | **(₱0.02)** | (₱0.055) |

There has been no transaction involving common shares or potential common shares that occurred subsequent to the reporting dates.

## 14. Contingencies

**Legal Claims and Assignment of Litigation Cases**
The Company is a co-defendant in a collection case for US$1.5 million filed in the Los Angeles Superior Court by a foreign merchant and its Philippine affiliate in 2012. The plaintiffs have alleged that they were not paid the charge cards availments that the Company processed under a Tripartite Merchants Agreements (TMA). Based on Company's records, however, payments due to the foreign merchant were wired to the latter's designated agent. The Company did not breach any regulatory or trade standards in complying with the TMA. The Company's management and its counsel believe that the case will not give rise to or result in any liability or damage on the part of the Corporation since (a) RCBC posted a bond in the amount of US$3.1 million, by way of security to stay the enforcement of the Amended Judgment rendered by Judge Rafael. In case of judgment against the Company, this bond may cover the liability to the extent of US$3.1 million; and (b) the Share Purchase Agreement dated 18 October 2013 between Rizal Commercial Banking Corporation, RCBC Capital Corporation (collectively referred herein as the "Sellers") and PBB Business Bank Inc.- Trust and Investment Center (the "Buyer") contains an indemnity clause from the Sellers in case the Corporation or the Buyer Group is adjudged liable.

## 15. Financial Risk Management Objectives and Policies

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

**Financial Risk Management Objectives and Policies**
The Company's principal financial instruments consist of cash in banks, due from related parties, accrued expenses, due to a related party and note payable. The primary purpose of these financial instruments is to finance the Company's operations. The main risks arising from the use of these financial instruments are credit risk and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

**Credit Risk**
Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and due from related parties.

The Company's maximum exposure to credit risk on the financial assets as at amortized cost is the carrying amount of those assets as at the reporting date.

*Financial Assets at Amortized Cost*
The Company limits its credit risk from balances with banks by depositing its cash with highly reputable and pre-approved financial institutions. For due from related parties, credit risk is low since the Company only transacts with related parties with strong capacity to meet its contractual cash flow obligations in the near term

As discussed in Note 3 to the financial statements, the Company considers credit risk in measuring ECL of financial assets at amortized cost. Since the financial assets at amortized cost of the Company are considered to have low credit risk, impairment loss is limited to 12-month ECL.

The table below presents an analysis of the credit quality of the Company's financial assets at amortized cost.

| | **September 30, 2019 (Unaudited)** | December 31, 2018 (Audited) |
|---|---|---|
| Cash in banks | **₱408,553** | ₱253,845 |
| Due from related parties | **14,455,581** | 16,455,581 |
| | **₱14,864,134** | ₱16,709,426 |

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

The tables below summarize the maturity profile of the Company's financial liabilities at amortized cost as at September 30, 2019 and December 31, 2018 based on contractual undiscounted cash flows.

| | **September 30, 2019 (Unaudited)** | | | |
|---|---|---|---|---|
| | **Less than One Month** | **One Month to One Year** | **More than One Year** | **Total** |
| Accrued expenses | **₱207,681** | **₱–** | **₱–** | **₱207,681** |
| Due to a related party | – | **1,866,031** | – | **1,866,031** |
| Note payable | – | **1,671,501,723** | – | **1,671,501,723** |
| | **₱207,681** | **₱1,673,367,754** | **₱–** | **₱1,673,575,435** |

| | December 31, 2018 (Audited) | | | |
|---|---|---|---|---|
| | Less than One Month | One Month to One Year | More than One Year | Total |
| Accrued expenses | ₱455,220 | ₱– | ₱– | ₱455,220 |
| Due to a related party | | 1,000,000 | – | 1,000,000 |
| Note payable | | 1,671,501,723 | – | 1,671,501,723 |
| | ₱455,220 | ₱1,672,501,723 | ₱– | ₱1,672,956,943 |

**Fair Value of Financial Assets and Financial Liabilities**

Set out below is a comparison by category of carrying values and fair values of the Company's financial instruments that are carried in the financial statements:

| | **September 30, 2019 (Unaudited)** | | December 31, 2018 (Audited) | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets at Amortized Cost** | | | | |
| Cash | **₱413,553** | **₱413,553** | ₱258,845 | ₱258,845 |
| Due from related parties | **14,455,581** | **14,455,581** | 16,455,581 | 16,455,581 |
| | **₱14,869,134** | **₱14,869,134** | ₱16,714,426 | ₱16,714,426 |
| **Financial Liabilities at Amortized Cost** | | | | |
| Accrued expenses | **₱207,681** | **₱207,681** | ₱455,220 | ₱455,220 |
| Due to a related party | **1,866,031** | **1,866,031** | 1,000,000 | 1,000,000 |
| Note payable | **1,671,501,723** | **1,671,501,723** | 1,671,501,723 | 1,671,501,723 |
| | **₱1,673,575,435** | **₱1,673,575,435** | ₱1,672,956,943 | ₱1,672,956,943 |

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

## 16. Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares.

The Company considers its total equity amounting to ₱930.4 million and ₱959.6 million as at September 30, 2019 and December 31, 2018, respectively, as its capital.

There has been no change in the objectives, policies and processes in 2019 and 2018.