Peace and Equity Holdings, Inc.
(A Wholly Owned Subsidiary of
Peace Equity Access for Community
Empowerment (PEACE) Foundation, Inc.)

Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report

A member firm of Ernst & Young Global Limited

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Peace and Equity Holdings, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Peace and Equity Holdings, Inc. (a wholly owned subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

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PTR No. 7332565, January 3, 2019, Makati City

March 20, 2019

PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 6)	**₱945,317**	₱1,409,581
Receivables (Note 7)	**1,314,866**	633,199
Financial assets at fair value through profit or loss (FVTPL) (Note 8)	**24,744,032**	–
Available-for-sale (AFS) financial assets (Note 9)	–	124,132,488
Other current assets (Note 10)	**396,395**	291,783
Total Current Assets	**27,400,610**	126,467,051
Noncurrent Assets		
Investments (Note 9)	**81,820,127**	–
Property and equipment (Note 11)	**56,319**	132,700
Investment in an associate (Note 12)	**4,021,780**	–
Total Noncurrent Assets	**85,898,226**	132,700
	₱113,298,836	₱126,599,751
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	**₱259,965**	₱391,375
Due to Parent Company (Note 15)	**173,231**	32,601
Total Current Liabilities	**433,196**	423,976
Equity		
Capital stock		
Authorized - 5,000,000 shares, ₱100 par value		
Issued and outstanding - 1,250,000 shares	**125,000,000**	125,000,000
Deficit	**(12,944,860)**	(254,432)
Fair value reserve of financial assets at FVOCI (Notes 3 and 9)	**810,500**	–
Net revaluation on AFS financial assets (Note 9)	–	1,430,207
Total Equity	**112,865,640**	126,175,775
	₱113,298,836	₱126,599,751

See accompanying Notes to Financial Statements.

PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
REVENUE (Note 15)		
Investment income	**4,217,174**	11,081,565
Management income	**578,763**	–
	4,795,937	11,081,565
EXPENSES		
Changes in fair value of financial assets at FVTPL (Note 8)	**6,586,806**	–
Personnel	**4,032,840**	5,574,110
Share in the net loss of associate (Note 12)	**2,978,220**	–
Project appraisal and monitoring	**1,903,932**	3,343,949
Meeting costs	**157,891**	214,218
Legal services	**148,832**	150,186
Training and seminars	**111,023**	98,778
Utilities	**103,680**	103,680
Depreciation (Note 11)	**72,593**	81,380
Professional fee	**66,000**	57,750
Taxes and licenses	**27,817**	84,691
Insurance	**22,467**	23,444
Others	**647,651**	878,274
	16,859,752	10,610,460
INCOME (LOSS) BEFORE INCOME TAX	**(12,063,815)**	471,105
PROVISION FOR FINAL TAX (Note 17)	**681,550**	1,074,362
NET LOSS	**(12,745,365)**	(603,257)
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at FVOCI (Note 9)	**(564,770)**	–
Changes in fair value of AFS financial assets (Note 9)	–	5,619,832
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱13,310,135)**	₱5,016,575

See accompanying Notes to Financial Statements.

PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF CHANGES IN EQUITY

			Other Comprehensive Income (Loss)		
	Capital Stock	Deficit	Net Revaluation Gain on AFS Financial Assets (Notes 3, 8, 9 and 10)	Fair Value Reserve of Financial Assets at FVOCI (Note 9)	Total
		For the Year Ended December 31, 2018			
Balances at January 1, as previously reported	**₱125,000,000**	**(₱254,432)**	**₱1,430,207**	**₱–**	**₱126,175,775**
Effect of the adoption of PFRS 9, *Financial Instruments* (Note 3)	**–**	**619,707**	**(1,430,207)**	**810,500**	**–**
Balances at January 1, as restated	**125,000,000**	**365,275**	**–**	**810,500**	**126,175,775**
Total comprehensive loss	**–**	**(13,310,135)**	**–**	**–**	**(13,310,135)**
Balances at December 31	**₱125,000,000**	**(₱12,944,860)**	**₱–**	**₱810,500**	**₱112,865,640**
		For the Year Ended December 31, 2017			
Balances at January 1	₱125,000,000	₱348,825	(₱4,189,625)	₱–	₱121,159,200
Total comprehensive income (loss)	–	(603,257)	5,619,832	–	5,016,575
Balances at December 31	₱125,000,000	(₱254,432)	₱1,430,207	₱–	₱126,175,775

See accompanying Notes to Financial Statements.

PEACE AND EQUITY HOLDINGS, INC.
(A Wholly Owned Subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before final tax	**(₱12,063,815)**	₱471,105
Adjustments for:		
Changes in fair value of financial assets at FVTPL (Note 8)	**6,586,806**	–
Share in the net loss of associate (Note 12)	**2,978,220**	–
Depreciation (Note 11)	**72,593**	81,380
Interest income	**(1,856)**	(5,246)
Investment income	**(4,215,318)**	(10,556,839)
Operating loss before working capital changes	**(6,643,370)**	(10,009,600)
Increase in:		
Receivables	**(681,667)**	(7,571)
Other current assets	**(104,612)**	(68,862)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(131,410)**	(268,004)
Due to Parent Company	**140,630**	(38,152)
Net cash used in operations	**(7,420,429)**	(10,392,189)
Interest received	**1,856**	5,246
Final taxes paid	**(681,550)**	(1,074,362)
Net cash flows used in operating activities	**(8,100,123)**	(11,461,305)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in financial assets	**14,632,071**	12,125,741
Proceeds from sale of property and equipment	**14,323**	–
Additions to property and equipment (Note 11)	**(10,535)**	(58,891)
Investment in an associate	**(7,000,000)**	–
Net cash provided by investing activities	**7,635,859**	12,066,850
NET INCREASE (DECREASE) IN CASH	**(464,264)**	605,545
CASH AT BEGINNING OF YEAR	**1,409,581**	804,036
CASH AT END OF YEAR	**₱945,317**	₱1,409,581

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Peace and Equity Holdings, Inc. (the Company) is a wholly owned subsidiary of Peace Equity Access for Community Empowerment (PEACE) Foundation, Inc. (PEF; Parent Company), a foundation that provides financial, managerial, technical and policy assistance to non-governmental organizations (NGOs), people's organizations, community associations, social entrepreneurs, educational and research institutions, cooperatives and other similar groups or corporations.

The Company was registered with the Philippine Securities and Exchange Commission (SEC) on September 23, 2013 primarily to invest, purchase, own, hold in financially viable, primarily development-oriented social enterprises that have proven and/or offer innovative and high impact solutions to problems of poverty reduction such as enterprises on climate smart and sustainable agriculture, sustainable forestry, coastal resource management, eco-tourism, small and medium industries, alternative and renewable energy, information and communication technology and basic services and other similar endeavors, without engaging in business as an investment company, financing company or lending investor, broker and dealer of securities.

The registered office address of the Company is 69 Esteban Abada Street, Loyola Heights, Quezon City.

Approval for Issuance of the Financial Statements
The financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issuance by the Board of Directors (BOD) of the Company on March 1, 2019.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The financial statements are presented in Philippine peso (₱), which is also the Company's functional currency. All values are rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Exemption from the Mandatory Adoption of PFRSs for Small and Medium-sized Entities (SMEs)
The preface to PFRSs for SMEs provides that the PFRS for SMEs shall be used by entities that meet the definition of an SME, as set forth in the SEC En Banc Resolution dated August 13, 2009.

On December 11, 2009, the SEC issued a Notice that requires entities that meet the foregoing criteria shall apply the PFRS for SMEs for annual periods beginning January 1, 2010. The Company qualifies as an SME since the Company passed all the thresholds set in the criteria.

In accordance with the exemption set out in the Notice issued by the SEC on October 11, 2010, the Company opted to avail the exemption from adopting PFRS for SMEs and continue using full PFRSs because it is a subsidiary of a Parent Company reporting under full PFRSs.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2018. The Company did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applied PFRS 9, *Financial Instruments* and PFRS 15¸*Revenue from Contracts with Customers,* effective January 1, 2018. The nature and effect of these changes are disclosed below.

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

  The Company applied PFRS 9 using the modified retrospective approach, with an initial application dated January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 are effects of the business model assessment made by the Company which resulted to reclassification of net revaluation gains (losses) on AFS financial assets recognized as other comprehensive income (OCI) to retained earnings.

  The effect of adopting PFRS 9 follows:

	January 1, 2018, As previously reported	Transition Adjustments	January 1, 2018, As restated
Assets			
AFS financial assets	₱124,132,488	(₱124,132,488)	₱–
Financial assets at FVTPL	–	45,827,510	45,827,510
Financial assets at FVOCI	–	4,214,126	4,214,126
Debt instruments at amortized cost	–	74,090,852	74,090,852
	₱124,132,488	₱–	₱124,132,488
Equity			
Deficit	(₱254,432)	619,707	₱365,275
Fair value reserve of financial assets at FVOCI	–	810,500	810,500
Net unrealized gain on AFS financial assets	1,430,207	(1,430,207)	–
	₱1,175,775	₱–	₱1,175,775

The nature of these adjustments is described below:

(a) *Classification and measurement*
Under PFRS 9, debt instruments are subsequently measured at amortized cost, FVTPL, or FVOCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Company's financial assets:

- Cash and receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortized cost.

- Debt instruments previously classified as AFS financial assets are now classified and measured as financial assets at amortized cost. The Company expects to hold the assets to collect contractual cash flows until maturity date. The Company's quoted debt instruments are regular government and corporate bonds that passed the SPPI test.

- Investments in preferred shares previously classified as AFS financial assets are now classified and measured as equity instruments designated at FVOCI. The Company elected to classify irrevocably its listed preferred equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

- Listed common stocks and investment in funds classified as AFS financial assets as of December 31, 2017 are classified as financial assets at FVTPL beginning January 1, 2018.

As a result of the change in classification of the Company's investments, the net revaluation gains on AFS financial assets related to financial assets at FVTPL which were previously presented under accumulated OCI, was reclassified to retained earnings as of January 1, 2018.

There are no changes in the classification and measurement of the Company's financial liabilities.

(b) *Impairment*
The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at the approximation on the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The adoption of PFRS 9 ECL approach did not materially impact the impairment on the Company's financial assets at amortized cost.

(c) *Transition to PFRS 9*
In summary, upon the adoption of PFRS 9, the Company had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Category		
PAS 39 Measurement Category	Balances	Amortized Cost	Financial assets at FVTPL	Financial assets at FVOCI
Loans and receivables				
Cash*	₱1,394,581	₱1,394,581	₱–	₱–
Receivables	633,199	633,199	–	–
AFS financial assets				
Government securities	55,294,323	55,294,323	–	–
Listed common stocks	35,302,904	–	35,302,904	–
Corporate bonds	18,796,529	18,796,529	–	–
Investment in funds	10,524,606	–	10,524,606	–
Preferred shares	4,214,126	–	–	4,214,126
	₱126,160,268	₱76,118,632	₱45,827,510	₱4,214,126

**Excluding cash on hand amounting to ₱15,000*

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes all current revenue recognition requirements under PFRSs. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers, and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The change in accounting standards is not applicable to the Company since the Company does not have revenue from contracts with customer.

The adoption of the following pronouncements did not have any significant impact on the Company's financial position or performance:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements* to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

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

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021
- PFRS 17, Insurance Contracts

Deferred Effectivity
- PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)

4. Summary of Significant Accounting and Financial Reporting Policies

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

An asset is current when it is:

a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
b. Held primarily for the purpose of trading;
c. Expected to be realized within 12 months after the reporting period; or
d. Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

a. It is expected to be settled in normal operating cycle;
b. It is held primarily for the purpose of trading;
c. It is due to be settled within 12 months after the reporting period; or
d. There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Cash
Cash represents cash on hand and in banks. Cash in banks, held by the Company and those under the fund managers, earn interest at floating rates based on daily bank deposit rates.

Financial Instruments - Initial Recognition and Subsequent Measurement Beginning January 1, 2018
Financial Assets
The Company recognizes a financial asset in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

The Company's financial assets as of December 31, 2018 are of the nature of financial assets at amortized cost, financial assets at FVTPL, and financial assets at FVOCI.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash, receivables, investments in government securities and corporate bonds.

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

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

The Company elected to classify irrevocably its preferred shares under this category.

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

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss in the statement of comprehensive income.

This category includes listed common stocks and investment in funds which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed common stocks are recognized as dividend income in the statement of comprehensive income when the right of payment has been established.

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

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off or a provision is recognized when there is no reasonable expectation of recovering the contractual cash flows.

For other debt financial instruments e.g. cash, government securities, and corporate bonds, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLS on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company uses the ratings from Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to January 1, 2018
Financial Assets
Classification of financial instruments
Financial instruments within the scope of PAS 39 are classified as:

a. Financial assets and financial liabilities at FVTPL;
b. Loans and receivables;
c. Held-to-maturity (HTM) investments;
d. Available-for-sale (AFS) financial assets; and
e. Other financial liabilities.

The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates at every reporting period.

The financial instruments of the Company as of December 31, 2017 consist of loans and receivables, AFS financial assets and other financial liabilities.

Date of recognition of financial instruments
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using the settlement date accounting.

In cases where fair value is determined using date which is not observable, the difference between the transaction price and model value is only recognized in statement of income 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 amount.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Loans and receivables are recognized initially at fair value, plus transaction costs that are attributable to the acquisition of loans and receivables.

After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method, less allowance for doubtful accounts. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. Gains and losses are recognized in statement of income, when loans and receivables are derecognized or impaired, as well as through the amortization process.

This accounting policy relates to the Company's cash (excluding cash on hand) and receivables.

AFS financial assets
AFS financial assets include quoted and unquoted equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVTPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Net revaluation gain on AFS financial assets" in the equity section of the statement of financial position and as part of OCI in the statement of comprehensive income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

When the investment is disposed of, the cumulative gains or losses previously recognized in equity is recognized as income in the statements of comprehensive income. Dividends earned on holding AFS financial assets are recognized when the right of payment has been established. The losses arising from impairment of such investments are recognized as provision for impairment losses on AFS financial assets in the statement of comprehensive income.

The Company's investments in government securities, corporate bonds, listed common stocks, preferred shares and investments in funds are designated as AFS financial assets.

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to and After January 1, 2018
Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL and other financial liabilities at amortized cost. The initial measurement of financial liabilities, except for designated at FVTPL, includes transaction costs.

As of December 31, 2018 and 2017, the financial liabilities of the Company are classified as other financial liabilities.

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

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations.

Other financial liabilities are initially recognized at the fair value of the consideration received, less directly attributable transaction costs.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR 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 EIR.

This accounting policy relates to the Company's accounts payable and accrued expenses, due to Parent Company and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

‘Day 1’ Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a ‘Day 1’ difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or in equity. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income 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 amount.

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

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized where:

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

Where the Company has transferred its right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset.

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

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

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the

initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment or impairment.

The amount of any impairment loss identified is measured as the difference between asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred). The present value of the estimated future cash flows is discounted at the asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment is recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in the statement of comprehensive income.

AFS financial assets carried at fair value
For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of quoted equity investments classified as AFS financial assets, objective evidence would include a significant or - prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Fair Value Measurements

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

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

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

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.

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

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

Other Current Assets

Value-added Tax (VAT)

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

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized.
Prepayments that are expected to be realized for not more than twelve months after the reporting date are classified as current assets; otherwise these are classified as other noncurrent assets.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization and accumulated impairment loss, if any. The initial cost of property and equipment comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of ‘Property and equipment’ account only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged against to the statement of income as incurred.

Depreciation and amortization of property and equipment commence once the property and equipment are available for use and are computed using the straight-line method over the estimated useful lives (EULs) of the assets, regardless of utilization. The categories of property and equipment and related EUL are as follows:

Depreciation is computed using straight-line method over the estimated useful life (EUL) as follows:

Category	EUL (in years)
Office equipment	3
Furniture and fixtures	5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of income, when the asset is derecognized.

The methods of depreciation and amortization, EULs and residual values of property and equipment are reviewed annually and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to the statement of income.

Impairment of Nonfinancial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal (FVLCD) and its value-in-use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining FVLCD, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. In assuming VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine that asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount that does not exceed its recoverable amount, nor exceed the carrying amount

that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Capital Stock
The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings (Deficit)
Retained earnings (deficit) includes accumulated gains (losses) attributable to the Company's stockholders. Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Other Comprehensive Income (OCI)
OCI are items of income, net of expense, that are not recognized in the profit or loss for the year in accordance with PFRSs. The Company's OCI in pertains to net revaluation gains (losses) on financial assets comprising changes in the fair value of financial assets at FVOCI and AFS financial assets in 2018 and 2017, respectively.

Revenue Recognition Effective and Prior January 1, 2018
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

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

Investment income
Investment income from financial assets at FVTPL and at amortized cost is recognized when earned.

Management income
Management income is recognized when services are rendered.

Interest income
Interest income is recognized as it accrues taking into account the effective yield of the asset.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses arise.

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

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet 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 income tax assets are recognized for all unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the carryforward unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in statement of comprehensive income.

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

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

5. **Significant Accounting Judgment and Estimates**

The Company's financial statements prepared in accordance with PFRSs require management to make judgment, estimates and assumptions that affect amounts reported in the financial statements and related notes. The judgment, estimates and assumptions used in the financial statements are based upon the management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Actual results could differ from such estimates.
Judgment and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following presents a summary of these significant accounting judgment and estimates:

Judgment
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (Note 3). The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of AFS financial assets (applicable prior to January 1, 2018)
The Company determines that AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities.

In addition, the Company evaluates among other factors, the normal volatility in share price and the future cash flows and discount factors for unquoted equities.

As of December 31, 2017, the carrying value of the AFS financial assets amounted to ₱124.13 million (Note 9).

Estimating Realizability of Deferred Tax Assets
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has NOLCO amounting to ₱32.28 million and ₱18.29 million as of December 31, 2018 and 2017, respectively. These losses expire in the next 3 taxable years after the reporting period. On this basis, the Company has determined that it cannot recognize deferred tax assets on the NOLCO (Note 16).

6. Cash

This account consists of:

	2018	2017
Cash on hand	**₱15,000**	₱15,000
Cash in banks	**211,878**	1,392,153
Cash in banks under fund managers	**718,439**	2,428
	₱945,317	₱1,409,581

Cash in banks earn interest at the respective bank deposit rates. Cash in banks are unrestricted and immediately available for use.

Interest income earned on cash in banks amounted to ₱2,320 and ₱5,246 in 2018 and 2017, respectively.

Cash in banks, held by the Company and fund managers, have annual interest rates ranging from 1% to 2% in 2018 and 2017.

7. Receivables

This account consists of:

	2018	2017
Advances to employees	**₱13,050**	₱10,858
Due from Parent Company (Note 15)	**648,214**	–
Accrued interest receivable	**572,187**	519,250
Others	**81,415**	103,091
	₱1,314,866	₱633,199

8. Financial Assets at Fair Value Through Profit or Loss (FVTPL)

This account consists of:

Listed common stocks	₱17,067,116
Investment in funds	
Mutual funds	5,212,556
Unit investment trust fund (UITF)	2,464,360
	₱24,744,032

Equity securities consist of investment in companies listed in the Philippine Stock Exchange (PSE).

In 2018, the Company recognized changes in fair value of financial assets at FVTPL in the statements of comprehensive income amounting to ₱6.59 million.

Adoption of PFRS 9
In 2018, the Company adopted PFRS 9 resulting to adjustments recognized in the opening balance of retained earnings as of January 1, 2018.

The impact of the adoption of PFRS 9 in relation to financial assets at FVTPL as of January 1, 2018 resulted to reclassification of net unrealized gain on AFS financial assets amounting to ₱1.79 million to retained earnings and reclassification from AFS financial assets to financial assets at FVTPL amounting to ₱45.83 million (Note 3).

9. Investments

This account consists of:

	2018	2017
Investments in debt instruments	**₱76,354,412**	₱–
Financial assets at FVOCI	**5,465,715**	–
AFS financial assets	–	124,132,488
	₱81,820,127	₱124,132,488

These investments are managed by Bank of the Philippine Islands Asset Management Trust Corporation.

a. *Debt investments (as of December 31, 2018)*

Government securities	₱51,155,116
Corporate bonds	25,199,296
	₱76,354,412

Government securities include ROPs bonds and treasury notes (Fixed rate treasury notes) earn annual interest rates ranging from 3.40 % to 5.90 % and 1.78% to 5.82% in 2018 and 2017, respectively.

Corporate bonds include those issued by holding companies, property, utilities and telecommunication companies. These bonds earn annual interest rates ranging from 3.87% to 6.25 % and 3.41% to 5.55% in 2018 and 2017, respectively.

Interest income earned from investment in debt instruments amounted to ₱3.41 million and ₱5.37 million in 2018 and 2017, respectively.

b. *Financial assets at FVOCI (as of December 31, 2018)*

As of December 31, 2018, he Company has investment in preferred shares of publicly listed companies amounting to ₱5.47 million were irrevocably elected to be classified and measured as equity instruments designated at fair value through OCI.

c. *AFS financial assets (as of December 31, 2017)*

Government securities	₱55,294,323
Corporate bonds	18,796,529
Equity securities	35,302,904
Investment in funds	10,524,606
Preferred shares	4,214,126
	₱124,132,488

Adoption of PFRS 9
In 2018, the Company adopted PFRS 9 resulting to adjustments recognized in the opening balance of retained earnings as of January 1, 2018.

The impact of the adoption of PFRS 9 in relation to financial assets at FVTPL as of January 1, 2018 resulted to reclassification of net revaluation on AFS financial assets amounting to ₱0.81 million and ₱0.62 million to OCI and deficit, respectively (Note 3).

The movement in net revaluation on AFS financial assets as of January 1, 2018 follows:

Balance at January 1, 2017	(₱4,189,625)
Changes in fair value of AFS financial assets during the year	5,619,832
Balance at December 31, 2017	₱1,430,207
Less transfers:	
To OCI	810,500
To deficit	619,707
Balance at January 1, 2018	₱–

Rollforward on the investment accounts follows:

	2018	2017
Balances at beginning of year	**₱124,132,488**	₱120,626,521
Realized investment gains - net	**2,573,247**	8,936,135
Additions	**–**	2,000,000
Disposals	**(12,990,000)**	(13,050,000)
Fair value changes:		
Recognized in profit or loss	**(6,586,806)**	–
Recognized in OCI	**(564,770)**	5,619,832
	₱106,564,159	₱124,132,488

10. **Other Current Assets**

This account consists of:

	2018	2017
Input VAT	**₱295,240**	₱211,031
Prepaid expenses	**101,155**	80,752
	₱396,395	₱291,783

Input VAT pertains to input tax from supplier of goods and services. As of December 31, 2018 and 2017, the output VAT has been fully offset against input VAT which resulted to net input VAT position amounting to ₱0.30 million and ₱0.21 million, respectively. Input VAT is recoverable in future periods.

Prepaid expenses pertain to advance payment from Health maintenance organization (HMO) for health insurance.

11. Property and Equipment

The rollforward analysis of this account follows:

	2018		
	Office Equipment	**Furniture and Fixtures**	**Total**
Cost			
Balances at beginning of year	**₱268,401**	**₱47,715**	**₱316,116**
Additions	**–**	**10,535**	**10,535**
Disposals	**(34,375)**	**–**	**(34,375)**
Balances at end of year	**234,026**	**58,250**	**292,276**
Accumulated Depreciation			
Balances at beginning of year	**153,121**	**30,295**	**183,416**
Depreciation	**60,944**	**11,649**	**72,593**
Disposals	**(20,052)**	**–**	**(20,052)**
Balances at end of year	**194,013**	**41,944**	**235,957**
Net Book Values	**₱40,013**	**₱16,306**	**₱56,319**

	2017		
	Office Equipment	Furniture and Fixtures	Total
Cost			
Balances at beginning of year	₱209,510	₱47,715	₱257,225
Additions	58,891	–	58,891
Balances at end of year	268,401	47,715	316,116
Accumulated Depreciation			
Balances at beginning of year	80,914	21,122	102,036
Depreciation	72,207	9,173	81,380
Balances at end of year	153,121	30,295	183,416
Net Book Values	₱115,280	₱17,420	₱132,700

There are no fully depreciated assets that are still in use as of December 31, 2018 and 2017.

There are no property and equipment items that are pledged as security to liabilities as of December 31, 2018 and 2017.

12. Investment in an Associate

In May 2018, the Company acquired 7,000 common shares of Family Farms Inc. (FFI) for a total cash payment of ₱7.00 million.

FFI was incorporated and registered on February 17, 2015 with the Securities and Exchange Commission. FFI is primarily engaged in organic agricultural production, processing of organic products and marketing. The registered office address of the Company is 8-5 Elena Apartments, 7th Street Extension, Bacolod City, Negros Occidental.

The investment gave the Company a 30% shareholding proportion to FFI which is classified as an investment in an associate and is accounted for at equity method. As of December 31, 2018, the net carrying amount of the Company's investment in FFI amounted to ₱4.02 million.

Details in the movement follow:

Cost:	
Balance at beginning of year	₱–
Investment during the year	7,000,000
Balance at end of year	7,000,000
Accumulated Equity in Net Loss:	
Balance at beginning of year	–
Share in the net loss of associate	2,978,220
Balance at end of year	2,978,220
Net Carrying Value	₱4,021,780

Selected financial information of FFI as of December 31, 2018 follow:

Total current assets	₱13,620,543
Noncurrent assets	14,722,065
Current liabilities	(3,436,758)
Noncurrent liabilities	(11,499,917)
Equity	13,405,933
Proportion of the Company's ownership	30%
Carrying amount of the investment	₱4,021,780

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	2018	2017
Accrued expenses	**₱159,452**	₱134,094
Accounts payable	–	142,058
Others	**100,513**	115,223
	₱259,965	₱391,375

Accrued expenses are composed of accrued utilities and other expenses.

Others pertain to withholding tax payable on compensation, expanded withholding tax, SSS premiums, HDMF and PHIC premiums payable.

14. **Revenue**

This account consists of:

	2018	2017
Investment income		
Interest income	**₱3,407,751**	₱5,382,320
Dividends	**613,222**	1,384,588
Trading gains	**196,201**	4,314,657
Management income (Note 15)	**578,763**	–
	₱4,795,937	₱11,081,565

Investment income includes interest income that is gross of final tax and gross of expenses related to the payment to fund managers for an annual service fee of 0.25% for discretionary account and 0.13% for discretional account based on the average market value of the fund, and other transaction costs. Total investment-related expenses recognized under 'Others' in the statements of comprehensive income amounted to ₱0.24 million and ₱0.52 million in 2018 and 2017, respectively.

Management income refers to the income earned from the 3-year term management agreement with the Parent Company which involves management of the loans extended by the Parent Company to identified social enterprises. The agreement requires the Company to perform evaluation on the credit worthiness of the social enterprises and preparation of all necessary documents to facilitate the loan approval.

15. **Related Party Transactions**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Company's related party transactions representing expenses paid by the Parent Company for and on behalf of the Company are as follows:

		2018		
Category	**Amount**	**Due from (to)**	**Terms**	**Conditions**
Parent Company				
Peace and Equity Foundation (PEF)				
a. Expenses	**₱173,231**	**(₱173,231)**	**On demand, noninterest bearing**	**Unsecured**
b. Management Income (Note 7)	**578,763**	**648,214**	**On demand, noninterest bearing**	**Unsecured**

		2017		
Category	Amount	Due to	Terms	Conditions
Parent Company				
Peace and Equity Foundation (PEF)				
a. Expenses	₱32,601	₱32,601	On demand, noninterest bearing	Unsecured

The Company has no key management personnel. The financial and administrative functions of the Company are being handled by the employees of the Parent Company.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, interest-free if paid when due and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Company has not recognized any ECLs or impairment losses on amounts due from related parties for the years ended December 31, 2018 and 2017. This assessment is undertaken each financial year through a review of financial position of the related party and the market in which the related party operates.

16. Income Taxes

The Company recognized provision for final tax amounting to ₱0.68 million and ₱1.07 million in 2018 and 2017, respectively. No provision for current income tax was recognized in 2018 and 2017 due to its net taxable loss position. The Company started to be subjected to minimum corporate tax (MCIT) in 2017.

As it is not probable that sufficient taxable income will be available to allow all of the deferred tax assets to be utilized, the Company did not recognize deferred tax asset on the NOLCO amounting to ₱32.28 million and ₱18.29 million 2018 and 2017, respectively.

As of December 31, 2018, the details of the NOLCO are as follows:

Inception Year	Amount	Applied	Expired	Balance	Expiry Year
2018	₱16,280,989	₱–	–	₱16,280,989	2021
2017	10,090,979	–	–	10,090,979	2020
2016	5,913,019	–	–	5,913,019	2019
2015	2,288,437	–	(₱2,288,437)	–	2018
	₱34,573,424	₱–	(₱2,288,437)	₱32,284,987	

Expired NOLCO amounted to ₱2.29 million and ₱1.60 million in 2018 and 2017, respectively.

The reconciliation of income tax expense at the statutory income tax rate to provision for income tax is summarized as follows:

	2018	2017
Income tax at statutory tax rate	**(₱3,619,144)**	₱141,332
Tax effects of:		
Changes in unrecognized deferred tax asset	**4,884,296**	3,027,293
Investment income subjected to final tax	**(583,509)**	(2,093,739)
Interest income subjected to final tax	**(93)**	(524)
	₱681,550	₱1,074,362

17. Fair value and Categories of Financial instruments

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

- *Cash in banks, receivables, accounts payable and accrued expenses* - carrying amounts approximate fair values due to short-term nature of these accounts.

- *AFS financial assets (prior to January 1, 2018)* - fair values were determined using quoted market prices at reporting date. The investments are included within the level 1 of the hierarchy. The fair value of AFS financial assets in unquoted shares of stock are based on cost since there is no reliable basis for fair value.

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

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

The table below shows the Company's financial instruments carried at fair value hierarchy classification:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
2018	**₱106,564,159**	**₱–**	**₱–**	**₱106,564,159**
2017	66,978,492	57,701,387	–	124,679,879

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement on December 31, 2018 and 2017, respectively.

18. Financial Risk Management Objectives and Policies

The Company's principal financial assets comprise of cash, receivables and AFS financial assets.

The normal course of the Company's business exposes it to a variety of financial risks such as credit risk, liquidity risk and equity price risk. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Equity price risk
Equity price risk is the risk of unfavorable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. The Company's equity price risk exposure at year-end relates principally to AFS financial assets.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index as of December 31, 2018 and 2017 with all other variables held constant showing the impact on equity that reflects adjustments on changes in fair value of AFS financial assets.

	2018		2017	
Market Index	**Change in variable**	**Effect on equity**	Change in variable	Effect on equity
PSE	**+3.14%**	**₱535,907**	+2.84%	₱1,029,912
	-3.14%	**(535,907)**	-2.84%	(1,029,912)

Price interest risk
The Company is exposed to the risks of changes in the value or future cash flows of its financial instruments due to its market risk exposures. The Company's exposure to interest rate risk relates primarily to the Company's financial assets at amortized cost and AFS financial assets.

	Change in Income Before Income Tax	
Reasonably Possible Changes in Interest Rates	**2018**	2017
+100 basis points (bps)	**₱697,554**	1,215,703
-100 bps	**(697,554)**	(1,215,703)

Liquidity risk
Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

The table below analyzes financial assets and liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting dates to their expected repayment dates.

	December 31, 2018				
	On demand	**Within a year**	**More than a year**	**No term**	**Total**
Financial assets:					
Cash	**₱945,317**	**₱–**	**₱–**	**₱–**	**₱945,317**
Receivable	**1,314,866**	**–**	**–**	**–**	**1,314,866**
Financial assets at FVTPL	**–**	**–**	**–**	**24,744,032**	**24,744,032**
Financial assets at FVOCI	**–**	**–**	**–**	**5,465,715**	**5,465,715**
Financial assets at amortized cost	**–**	**–**	**–**	**76,354,412**	**76,354,412**
Total financial assets	**₱2,260,183**	**₱–**	**₱–**	**₱106,564,159**	**₱108,824,342**
Other financial liabilities:					
Accounts payable and accrued expenses	**₱–**	**₱259,965**	**₱–**	**₱–**	**₱259,965**
Due to Parent Company	**–**	**173,231**	**–**	**₱–**	**173,231**
Total financial liabilities	**₱–**	**₱433,196**	**₱–**	**₱–**	**₱433,196**

	December 31, 2017				
	On demand	Within a year	More than a year	No term	Total
Financial assets:					
Cash	₱1,409,581	₱–	₱–	₱–	₱1,409,581
Receivable	633,199	–	–	–	633,199
Other financial assets	–	–	–	124,132,488	124,132,488
Total financial assets	₱ 2,042,780	₱–	₱–	₱124,132,488	₱126,175,268
Other financial liabilities:					
Accounts payable	₱–	₱142,058	₱–	₱–	₱142,058
Accrued expenses	₱–	134,094	–	–	134,094
Others		115,223	–	–	115,223
Total financial liabilities	₱–	₱391,375	₱–	₱–	₱391,375

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company trades only with recognized, creditworthy third parties.

With respect to credit risk arising from cash in banks, receivables, financial assets at amortized cost and AFS financial assets, the Company's exposure to credit risk relates to default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit quality was determined as follows:

a) *Cash in banks and held by fund managers*
   These are classified as high grade. These are deposited, placed or invested in local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b) *Receivables*
   Receivables are classified as neither past due nor impaired and collectible within one (1) year and are assessed as high grade since majority of receivables are accrued interest receivable and amounts due from its Parent Company who has no current history of default.

c) *Financial assets at amortized cost (applicable from January 1, 2018)*
   Government securities and corporate bonds are classified as high grade.

d) *AFS financial assets (applicable prior to January 1, 2018)*
   Government securities and listed debt and equity securities are classified as high grade

Impairment of financial assets effective January 1, 2018
The Company has three types of financial assets that are subject to the ECL model under PFRS 9:

- Cash;
- Receivables; and
- Financial assets at amortized cost

Cash. Credit risk from balances with banks and financial institutions is managed by the Company's Investments and Finance Committee in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Company did not recognize provision for ECLs during the year.

Receivables. The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company did not recognize provision for ECLs during the year.

Financial assets at amortized cost. For government securities and corporate bonds ECL, the Company applies the general approach of which it tracks changes in credit risk at every reporting date. These are also subject to impairment requirements of PFRS 9, the identified impairment losses were immaterial.

Impairment of financial assets prior to January 1, 2018
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Capital Management
The Company considers total equity presented on the face of the statements of financial position as its core capital. The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value.

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 obtain additional advances from Parent Company, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2018 and 2017, respectively.

The Company considers the following as its capital:

	2018	2017
Capital stock	**₱125,000,000**	₱125,000,000
Deficit	**(12,944,860)**	(254,432)
Fair value reserve of financial assets at FVOCI	**810,500**	–
Net revaluation on AFS financial assets	–	1,430,207
	₱112,865,640	₱126,175,775

The Company considers equity shown in the statements of financial position as the capital. The Company is not subject to externally imposed capital requirements.

19. **Contingencies**

As of December 31, 2018, and 2017, there is no present, pending nor threatened litigation, claim, lawsuit or proceeding by or against the Company. The Company is not aware of any other case under preliminary investigation, litigation and/or prosecution in courts.

20. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010, hereunder are the information on taxes, and license fees paid and accrued during the taxable year:

a. Input VAT

Balance at January 1, 2018	₱211,031
Current year's domestic purchases/payments for:	
Services lodged under other accounts	143,127
Capital goods not subject to amortization	10,534
Input VAT applied against output VAT during the year	(69,452)
Balance at December 31, 2018	₱295,240

b. Other taxes and licenses under operating expenses are as follows:

Business permit and fees	₱16,956
Documentary stamp tax	2,352
Others	8,509
	₱27,817

The amount of withholding taxes paid for the year amounted to:

Withholding taxes on compensation and benefits	₱482,883
Expanded withholding taxes	751
	₱483,634

Tax Assessments and Cases
As at December 31, 2018, the Company has no pending final assessment notices. The Company is not aware of any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.