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 **30 JUNE 2018**

2. Commission identification number **A200110402**

3. BIR Tax Identification No **213-054-503-000**

4. Exact name of issuer as specified in its charter **SBS PHILIPPINES CORPORATION**

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

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

7. **No. 10 Resthaven Street, San Francisco Del Monte, Quezon City** — **1105**
   Address of issuer's principal office — Postal Code

8. **(632) 371-1111**
   Issuer's telephone number, including area code

9. **N/A**
   Former Name/Address/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 stock as of March 31, 2018
Common Shares	**1,549,999,999**

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

    Yes [✔] No [ ]

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

    PHILIPPINE STOCK EXCHANGE **COMMON SHARES**

12. Indicate by check mark whether the registrant:

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

Yes [✔] No [ ]

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

Yes [✔] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited condensed consolidated financial statements of SBS Philippines Corporation ("SBS") and its subsidiaries as of and for the period ended June 30, 2018 (with comparative figures as of December 31, 2017 and for the period ended June 30, 2017) and Selected Notes to the Financial Statements are hereto attached as **Annex "A".**

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

The information required by Part III, Paragraph (A)(2)(b) of 'Annex C, as amended' is attached hereto as **Annex "B".**

PART II--OTHER INFORMATION

Outlook On Economic Position

For the core chemical business, the Company expects a slower demand during the 3rd quarter due to cyclical nature of the business and improvement during the 4th quarter, maintaining its growth momentum for the year. The prevailing weakness of the Philippine Peso may impact the profitability of the Company though specific pricing action is being implemented to minimize the unfavorable impact on the margin.

For its diversification and investment strategy, the Group had made significant investments to capture opportunities in the robust real property sector. Its real estate portfolio is expected to contribute into the Group's revenue and earnings streams in the coming years.

Recent Events

On August 9, 2018, the Certificate Authorizing Registration ("CAR") was issued by the Bureau of Internal Revenue relative to the purchase of Berny Philippines Corp. ("Berny") common shares by the Parent Company and SBS Holdings amounting to 5.5% and 17.5% of equity shareholdings of Berny, respectively. The issuance of the CAR effects the sale transaction and authorizes Berny to register the sale of shares in its corporate books.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized in Quezon City on 10 August 2018.

GERRY D. TAN
President & Chief Executive Officer

AYLENE Y. SYTENGCO
Chief Finance Officer & Treasurer

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents		P 724,398,375	P 2,368,102,884
Trade and other receivables	3	1,918,722,006	1,840,405,056
Inventories – net		1,095,266,672	1,077,516,744
Prepayments and other current assets	6	1,153,380,727	270,784,402
Total Current Assets		4,891,767,780	5,556,809,086
NON-CURRENT ASSETS			
Held-to-maturity investments	4	244,740,000	244,740,000
Investment in associates	5	1,086,785,650	915,622,090
Property and equipment – net	7	19,130,048	21,200,830
Investment properties	8	1,048,374,655	632,019,207
Intangible assets		3,642,433	-
Deferred tax assets – net		7,296,258	7,258,926
Total Non-current Assets		2,409,969,044	1,820,841,053
TOTAL ASSETS		P 7,301,736,824	P 7,377,650,139
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Loans payable	10	P 485,000,000	P 565,000,000
Trade and other payables	9	47,164,075	88,991,918
Income tax payable		387,218	7,124,565
Total Current Liabilities		532,551,293	661,116,483
NON-CURRENT LIABILITIES			
Loans payable	10	1,958,741,734	1,957,029,980
Post-employment defined benefit obligation		8,248,777	8,248,777
Total Non-current Liabilities		1,966,990,511	1,965,278,757
Total Liabilities		2,499,541,804	2,626,395,240
EQUITY			
Equity attributable to shareholders of the Parent Company			
Capital stock	14	1,549,999,999	1,549,999,999
Additional paid-in capital		2,242,794,207	2,242,794,207
Revaluation reserves		(3,490,872)	(3,490,872)
Retained earnings	14	953,513,031	956,330,629
		4,742,816,365	4,745,633,963
Non-controlling interest		59,378,655	5,620,936
Total Equity		4,802,195,020	4,751,254,899
TOTAL LIABILITIES AND EQUITY		P 7,301,736,824	P 7,377,650,139

See Selected Explanatory Notes to Condensed Consolidated Interim Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	April to June 2018	April to June 2017	January to June 2018	January to June 2017
REVENUES	12				
Sale of goods		**P 265,479,837**	P 250,777,703	**P 582,888,120**	P 512,701,509
Consultancy income		**4,699,794**	-	**6,405,694**	-
		270,179,631	250,777,703	**589,293,814**	512,701,509
COST OF SALES AND SERVICES					
Cost of goods sold		**195,127,680**	188,926,327	**427,156,323**	383,725,434
Cost of services	12	**929,791**	-	**1,858,800**	-
		196,057,471	188,926,327	**429,015,123**	383,725,434
GROSS PROFIT		**74,122,160**	61,851,376	**160,278,691**	128,976,075
OTHER OPERATING INCOME (EXPENSES)					
Other operating expenses	7, 12	**(44,316,246)**	(44,274,637)	**(84,092,632)**	(75,900,846)
Other operating income	11	**1,690,017**	16,085,847	**2,506,310**	16,085,847
		(42,626,229)	(28,188,790)	**(81,586,322)**	(59,814,999)
OPERATING PROFIT		**31,495,931**	33,662,586	**78,692,369**	69,161,076
FINANCE INCOME (COSTS) – Net	9, 10, 12	**(14,408,675)**	3,284,619	**(29,073,862)**	4,863,274
GAIN ON SALE OF INVESTMENT PROPERTIES	8	**1,029,750**	-	**1,029,750**	-
EQUITY IN NET LOSSES OF ASSOCIATES	5	**(12,018,144)**	(3,063,226)	**(24,100,846)**	(3,929,267)
PROFIT BEFORE TAX		**6,098,862**	33,883,979	**26,547,411**	70,095,083
TAX EXPENSE		**1,523,642**	7,552,617	**3,357,290**	16,591,476
NET PROFIT		**4,575,220**	26,331,362	**23,190,121**	53,503,607
OTHER COMPREHENSIVE INCOME		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME		**P 4,575,220**	P 26,331,362	**P 23,190,121**	P 53,503,607
EARNINGS PER SHARE - Basic and Diluted	14	**P 0.00**	P 0.02	**P 0.01**	P 0.04

See Selected Explanatory Notes to Condensed Consolidated Interim Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Treasury Shares (see Note 14)	Retained Earnings (see Note 14)		Stock Dividends (see Note 14)	Revaluation Reserves	Total Equity	Non-controlling Interest	Total
				Appropriated	Unappropriated					
Balance at January 1, 2018	P 1,549,999,999	P 2,242,794,207	P -	P 200,000,000	P 756,330,629	P -	(P 3,490,872)	P 4,745,633,963	P 5,620,936	P 4,751,254,899
Issuance of shares during the period	-	-	-	-	-	-	-	-	54,100,000	54,100,000
Cash dividends for the period	-	-	-	-	(26,350,000)	-	-	(26,350,000)	-	(26,350,000)
Reversal of appropriation during the period	-	-	-	(200,000,000)	200,000,000	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	23,532,402	-	-	23,532,402	(342,281)	23,190,121
Balance at June 30, 2018	**P 1,549,999,999**	**P 2,242,794,207**	**P -**	**P -**	**P 953,513,031**	**P -**	**(P 3,490,872)**	**P 4,742,816,365**	**P 59,378,655**	**P 4,802,195,020**
Balance at January 1, 2017	P 1,200,000,000	P 898,425,433	(P 29,973,840)	P -	P 1,143,501,171	P -	(P 4,068,878)	P 3,207,883,886	P -	P 3,207,883,886
Acquisition of treasury shares	-	-	(168,974,313)	-	-	-	-	(168,974,313)	-	(168,974,313)
Reissuance of treasury shares	-	2,289,247	198,948,153	-	-	-	-	201,237,400	-	201,237,400
Stock dividends for the period	-	-	-	-	(288,479,994)	P 288,479,994	-	-	-	-
Total comprehensive income for the period	-	-	-	-	53,503,607	-	-	53,503,607	-	53,503,607
Balance at June 30, 2017	P 1,200,000,000	P 900,714,680	P -	P -	P 908,524,784	P 288,479,994	(P 4,068,878)	P 3,293,650,580	P -	P 3,293,650,580

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		P 26,547,411	P 70,095,083
Adjustments for:			
Interest expense		56,884,392	10,439,535
Equity in net losses of associates	5	24,100,845	3,929,267
Interest income	9, 10	(13,108,146)	(1,731,890)
Unrealized foreign exchange losses		(11,923,204)	(4,328,905)
Dividend income from held to maturity investments	4	(6,822,128)	(6,822,128)
Realized foreign exchange losses		3,066,970	-
Depreciation and amortization	7	2,699,050	2,924,421
Gain on sale of investment properties	8	(1,029,750)	-
Operating profit before working capital changes		80,415,440	74,505,383
Increase in trade and other receivables		(78,316,950)	(291,929,130)
Decrease (increase) in inventories		(17,749,928)	133,746,667
Increase in prepayments and other currents assets		(21,895,995)	(240,733,381)
Decrease in trade and other payables		(41,827,843)	(81,658,200)
Cash used in operations		(79,375,276)	(406,068,661)
Cash paid for income taxes		(6,955,478)	(8,668,205)
Net Cash Used in Operating Activities		(86,330,754)	(414,736,866)
CASH FLOWS FROM INVESTING ACTIVITIES			
Prepayment on investment subscription		(860,873,880)	-
Acquisition of investment properties	8	(243,448,823)	(47,243)
Acquisition of investment in associates	5	(195,264,405)	(510,884,550)
Assets from acquired subsidiary	5, 8	(175,000,000)	-
Interest received		13,108,146	1,731,890
Cash dividends received	4	6,822,128	6,822,128
Acquisition of intangible assets		(3,642,433)	-
Proceeds from sale of investment properties	8	3,123,125	-
Acquisition of property and equipment	7	(628,268)	(5,610,393)
Net Cash Used in Investing Activities		(1,455,176,143)	(502,377,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of loans	10	(280,000,000)	(100,000,000)
Proceeds from availment of loans	10	200,000,000	2,350,000,000
Interest paid		(56,884,392)	(10,439,535)
Proceeds from issuance of shares	14	54,100,000	-
Dividends paid	14	(26,350,000)	-
Disposal of treasury shares	14	-	201,237,400
Acquisition of treasury shares		-	(168,974,313)
Net Cash From (Used in) Financing Activities		(109,134,392)	2,271,823,552
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		6,936,779	4,328,905
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,643,704,509)	1,359,037,816
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,368,102,884	1,383,113,717
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 724,398,375	P 2,742,151,533

See Selected Explanatory Notes to Condensed Consolidated Interim Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of SBS Philippines Corporation (the Parent Company) and SBS Holdings and Enterprises Corporation (SBS Holdings) have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The financial statements of Lence Holdings Corporation (LHC) have been prepared in accordance with PFRS for Small and Medium-sized Entities. There are no significant differences between the accounting policies of LHC had PFRS been applied. The Parent Company and its subsidiaries are collectively referred to herein as the Group.

PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Consolidated Financial Statements

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

The Group presents a third condensed consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the condensed consolidated statement of financial position at the beginning of the preceding period. The related notes to the third condensed consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

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

1.2 Adoption of New and Amended PFRS Effective in 2018 that are Relevant to the Group

A number of new and amended standards and annual improvements became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these pronouncements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1.3 Basis for Consolidation

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

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

The Parent Company accounts for its investments in subsidiaries, associates and noncontrolling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

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

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 1.4).

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in Net Earnings (Losses) of Associates account in the condensed consolidated statement of comprehensive income.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

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

(c) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

1.4 Business Combination

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 1.18).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

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

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

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

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

1.5 Acquisition of Asset

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchase accounting, the purchase costs is allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized, and transaction costs are capitalized.

1.6 Financial Assets

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

a) *Classification and Measurement of Financial Assets*

Financial assets other than those designated and effective as hedging instruments are
classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available for sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group is discussed below and in the succeeding pages.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables and Refundable deposits (presented as part of Prepayments and Other Current Assets account) in the condensed consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Group were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to available-for-sale (AFS) financial assets. HTM investments are included under the Other Non-current Assets section of the condensed consolidated statement of financial position, except those maturing within 12 months from end of the reporting period, which are presented as part of current assets. The Group currently holds preferred shares designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment if there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.
If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income (Costs) – Net account in the condensed consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

d) Derecognition of Financial Assets

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

1.7 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. The cost of merchandise inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

1.8 Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.
An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. (see Note 1.18).

1.9 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	13 years
Transportation and other equipment	5 years
Furniture and fixtures	3 years

Amortization of leasehold improvements is recognized over their estimated useful life of 13 years, regardless of the term of the lease as management believes that it is probable that the Group will renew the lease agreement for the warehouses where the property and equipment and office are located, for a period of time that may extend beyond the current lease term [see Note 2.1(e)].

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.18).

An item of property and equipment, including the related accumulated depreciation and impairment losses, 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 item) is included in profit or loss in the year the item is derecognized.

1.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are accounted for under the cost model and are measured initially at acquisition cost. The cost of the asset is comprised of its purchase price and directly attributable costs of preparing the asset for its intended use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 1.18).

An item of investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

1.11 Intangible Assets

Intangible assets are acquired computer software licenses that are stated at cost less accumulated amortization and any accumulated impairment losses. These are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. It is amortized over its estimated useful lives of five years using straight-line method. Any change in the useful life of the assets is recognized prospectively. In addition, intangible assets are subject to impairment testing (see Note 1.18).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

1.12 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (excluding tax-related liabilities) and Loans Payable, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Income (Costs) – Net in the condensed consolidated statement of comprehensive income.

Loans payable and Trust receipts payable (presented as part of Trade and Other Payables) were raised for working capital requirements. Finance charges are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

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

1.13 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the condensed consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

1.14 Provisions and Contingencies

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

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

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

1.15 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods measured by reference to the fair value of consideration received or receivable by the Group, excluding value-added tax (VAT), rebates and trade discounts, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* is recognized when the risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery of the goods sold.

(b) *Consultancy income* is generally recognized when the performance of the contractually agreed tasks has been substantially rendered.

(c) *Interest income* is recognized as the interest accrues taking into account the effective yield on the asset.

(d) *Dividend income* is recognized when the Group's right to receive payment is established.

Cost and expenses are recognized in profit or loss upon receipt of goods or utilization services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 1.18).

1.16 Leases

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset is classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

1.17 Foreign Currency Translation and Transactions

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

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

1.18 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, investments in associates and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

1.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. The Group's defined post-employment covers all regular full time employees.

The liability recognized in the condensed consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are reflected immediately in the condensed consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the defined benefit liability during the period as a result of benefit payments. Interest is reported as part of Finance Income (Costs) – net account in profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

1.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

1.21 Income Taxes

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

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

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

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

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

The measurement of deferred tax assets and liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

1.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management committee; its chief operating decision-maker. The management committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's revenue sources as disclosed in Note 26, which represent the main revenue sources provided by the Group.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that depreciation and amortization is not included in the calculation of the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

1.23 Related Party Transactions and Relationships

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

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

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

1.24 Equity

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

Additional paid-in capital includes any premium received on the issuance of capital stock and stock dividends. This also includes the excess of the reissuance price of treasury shares over the related cost of acquisition. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

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

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the profit or loss section of the condensed consolidated statement of comprehensive income.

1.25 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Group by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. As of June 30, 2018 and 2017, the Group does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equivalent to the basic earnings per share.

1.26 Events After the End of the Reporting Period

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

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

2.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction Between Business Combination and Asset Acquisition

The Group determines whether the acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of asset.

Management assessed that the acquisition of ownership in Benesale Land, Inc. (Benesale) is to be accounted for as asset acquisition (see Note 5.2) since it does not constitute a purchase of business.

(b) *Classifying Financial Assets as HTM Investments*

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as preferred shares, as HTM investments, the Group evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances as allowed under the applicable PFRS, it will be required to reclassify the whole class as AFS financial assets. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

(c) *Determining Significant Influence Over Entities in Which the Group Holds Less than 20% Ownership*

The Group determines whether significant influence exists in investments where the Group holds less than 20% ownership interest over the investee. The Group considers the ability to influence the operating and financial policies of the investee, representation on the BOD of the investees and routine participation in management decisions in making judgment. Based on management's judgment, even with less than 20% for entities discussed in Note 5.1, the Group considers these companies as associates due to the presence of significant influence but not control over their operations since the Group's Chairman of the BOD is also a director of these companies.

(d) *Distinguishing Investment Properties and Owner-managed Properties*

The Group determined that its parcels of land qualify as investment properties. In making its judgment, the Group considers whether the property generate cash flows largely independent of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the Group's main line of business. Based on management's assessment, certain properties qualify as investment properties while some are classified as owner-managed properties.

(e) *Distinguishing Investment Properties and Owner-managed Properties*

The Group determined that its parcels of land qualify as investment properties. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash-flows that are attributable not only to the property but also to other assets used in the Group's main line of business. Based on management's assessment, the properties qualify as investment properties.

(f) *Distinguishing Operating and Finance Lease*

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

(g) Amortizing Leasehold Improvements

The Group amortizes leasehold improvements over the estimated useful life of the improvements regardless of the term of the lease because management believes that it is probable that the Group will renew the lease agreement for the warehouses where it operates for a period of time that will extend beyond the current term of the lease (see Note 1.9).

(h) Recognizing Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 1.14 and disclosures on relevant provisions and contingencies are presented in Note 15.

2.2 Key Sources of Estimation Uncertainty

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

(a) Estimating Impairment of Trade and Other Receivables and Refundable Deposits

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers and counterparties, the customers' and counterparties' current credit status, average age of accounts, collection experience and historical loss experience.

Management determined that no impairment loss on trade and other receivables and Refundable Deposits should be recognized for the periods ended June 30, 2018, and 2017 based on its assessment of the collectability of the accounts (see Notes 3 and 6).

(b) Determining NRV of Inventories

In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. It also takes into consideration the obsolescence of the inventory in determining NRV. The future realization of the carrying amounts of inventories is affected by price changes in different market segments. These aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. Management believes that Group's inventories are properly valued at lower of cost and NRV as of June 30, 2018 and 2017.

(c) *Estimating Useful Lives of Property and Equipment*

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are presented in Note 7. Based on management's assessment as at June 30, 2018 and 2017, there is no change in the estimated useful lives of those assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Impairing Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 1.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses recognized on non-financial assets for the periods ended June 30, 2018 and 2017 based on management's assessment.

(e) *Measuring Investment Properties at Fair Value*

Investment properties are measured using the cost model. The fair value disclosed in Note 8 to the consolidated financial statements as determined in 2017 using market comparable approach reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(f) Valuing Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

(g) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management has assessed that the amount of tax benefits from its future deductible differences which is recognized as deferred tax assets as at June 30, 2018 and 2017 will be fully utilized subsequently.

3. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**June 30, 2018**	December 31, 2017
Trade receivables	12.1, 12.4	**P 134,546,287**	P 157,617,781
Due from associates	12.2	**1,777,724,331**	1,677,724,331
Other receivables		**6,451,388**	5,062,944
		P 1,918,722,006	P 1,840,405,056

Trade receivables are usually due within 30 to 60 days and do not bear any interest. All of the Group's trade and other receivables have been reviewed for indications of impairment. Based on management's assessment, no impairment loss should be recognized for the years ended June 30, 2018 and December 31, 2017.

4. HELD-TO-MATURITY INVESTMENTS

HTM investments amounting to P244.7 million acquired in 2014 pertain to cumulative, non-voting, class "B" series preferred shares listed in the PSE, which bear fixed interest rate of 5.58% per annum and will mature on November 5, 2024. Aside from the maturity date, these investments have an optional redemption date on November 5, 2019 and on any dividend payment date thereafter.

The Parent Company received dividend income amounting to P6.8 million for both the periods ended June 30, 2018 and 2017 from its HTM investments and are presented as part of Finance Income (Costs) – Net account in the condensed consolidated statements of comprehensive income.

5. INVESTMENTS IN ASSOCIATES AND ACQUISITION OF ASSETS

5.1 Investments in Associates

The components of the carrying values of investments in associates accounted for under the equity method are as follows:

	Effective % Interest Held	**June 30, 2018**	December 31, 2017
Associates of the Parent Company:			
Lakerfield Phils. Holding Corporation (LPHC)	37.0%	**P 50,647,758**	P 51,933,790
Cleon Phils. Holding Corporation (CPHC)	37.2%	**27,591,875**	46,008,672
Ayschester Holdings Corporation (AHC)	25.0%	**31,860,697**	33,123,368
I-Bonding Holdings Corporation (IBHC)	17.0%	**8,892,617**	8,900,665
Associates of SBS Holdings:			
Goldchester Holdings Corporation (GHC)	17.6%	**478,078,798**	478,373,109
Mansfield Holdings Corp. (CPHC)	17.0%	**117,178,501**	117,469,536
Joune Holding Limited (JoHC)	5.0%	**97,660,708**	-
Smyte Phils. Holdings Corporation (SPHC)	29.0%	**51,913,235**	-
Aresa Holdings Corp. (ARHC)	17.0%	**47,880,666**	48,550,662
Scott Holdings Corp. (SHC)	17.5%	**46,217,223**	46,249,192
Joine Holdings Corp. (JHC)	22.0%	**27,353,709**	27,354,414
Justfields Holdings Corporation (JuHC)	29.0%	**24,028,412**	-
Icare Holdings Corporation (CHC)	25.0%	**19,828,810**	19,235,143
Milia Holdings Corporation (MHC)	29.0%	**10,632,447**	10,632,211
Apschester Holdings Corporation (APHC)	22.0%	**9,121,407**	10,014,745
Syner Holdings Corporation (SyHC)	22.0%	**8,577,437**	-
Urman Holdings Corporation (UHC)	22.0%	**8,429,999**	8,444,557
Morechester Phils. Inc. (MPI)	17.0%	**6,371,029**	6,390,880
Balance forwarded		***P1,072,265,328***	*P 912,680,944*

Balance carried forward		***P1,072,265,328***	*P 912,680,944*
Namia Holdings Corporation (NHC)	22.0%	**5,492,746**	-
Aspar Holdings Corporation (ArHC)	22.0%	**3,696,438**	-
Asida Holdings Corporation (AHC)	17.0%	**2,734,222**	2,941,146
Couts Holdings Corporation (CHC)	17.0%	**1,550,357**	-
Ineda Holdings Corporation (IHC)	17.0%	**1,046,559**	-
		P1,086,785,650	P 915,622,090

A reconciliation of the carrying amounts of investments in associates at the beginning and end of June 30, 2018 and December 31, 2017 is shown below.

	June 30, 2018	December 31, 2017
Balance at beginning of year	**P 915,622,090**	P 147,964,483
Additions	**195,264,405**	783,469,350
Disposals	**-**	**-**
Equity in net losses	**(24,100,845)**	(15,811,743)
	P1,086,785,650	P 915,622,090

At present, the Group's management believes that it does not have effective control over the associate companies but significant influence only. Consequently, the Group accounted for its investment on the investee companies under the equity method. For the periods ended June 30, 2018 and 2017, the Group recognized its share in the net losses of the associate companies totaling to P24.1 million, and P3.9 million, respectively, and is presented as Equity in Net Losses of Associates in the condensed consolidated statements of comprehensive income.

In 2018, SBS Holdings subscribed to the common shares of newly incorporated associates at par value. These transactions did not result to any goodwill or gain or bargain purchase.

The total amount of the assets, liabilities, revenues and net loss of these associates are reported as follows:

	Assets	Liabilities	Expenses	Net Loss (Profit)
June 30, 2018:				
AHC	P 432,711,956	P 300,007,301	P 6,551,436	P 4,585,323
CPHC	2,544,594,965	2,500,009,194	70,640,607	49,441,066
LPHC	389,501,780	250,161,116	5,415,655	3,790,194
IBHC	135,383,570	82,363,282	433,854	433,854
GHC	1,816,521,499	1,931,771,208	2,384,702	1,666,948
SHC	288,491,934	25,163,999	261,339	182,598
ICHC	110,703,809	30,372,485	3,462,757	(2,374,690)
MHC	36,705,791	42,336	555	(826)
MFHC	890,370,046	229,858,879	5,706,616	1,711,763
APHC	361,471,245	325,874,313	5,805,269	4,060,617
ARHC	500,049,128	220,092,940	5,659,135	3,941,069
JHC	579,727,660	455,386,732	21,194	3,169
UHC	184,397,015	155,828,831	66,421	66,164
ASHC	178,486,311	174,750,128	3,715,892	1,213,946
MPI	198,661,122	169,403,123	302,085	90,221
SPHC	179,011,211	-	3,198,270	2,238,789
NHC	436,436,931	438,001,449	47,092	32,965
CHC	5,669,745	-	186,079	130,255
IHC	5,406,239	-	133,944	93,761
SyHC	37,488,349	-	730,930	511,651
ArHC	16,801,991	-	282,870	198,009
JuHC	82,856,593	-	3,062,100	2,143,407
December 31, 2017:				
AHC	P 450,515,252	P 315,222,254	P 13,205,136	P 13,205,136
CPHC	2,186,636,872	2,062,849,273	601,266	579,801
LPHC	395,882,619	254,701,003	11,910,737	11,910,737
IBHC	135,383,570	82,363,282	433,854	433,854
GHC	1,912,210,651	1,929,083,798	19,484,032	13,636,499
SHC	288,414,934	25,138,676	1,042,706	718,904
ICHC	106,341,864	29,649,251	826,537	559,426
MHC	36,994,807	479,231	490,731	337,205
MFHC	1,230,012,593	687,671,646	12,877,772	9,002,731
APHC	400,477,055	363,142,389	13,542,460	9,478,430
ARHC	292,746,558	7,990,511	2,786,731	1,907,873
JHC	57,232,487	730,250	716,179	497,763
UHC	38,384,548	-	522,360	365,652
ASHC	189,767,005	183,990,511	6,942,419	4,745,277
MPI	197,604,454	165,467,724	584,227	405,422

5.2 Acquisition of Assets

In February 2018, the LHC acquired 100% ownership interest in Benesale. Benesale is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Benesale, which is also its principal place of business, is located at 24th Floor Net Lima Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig.

As of June 30, 2018, Benesale has no operations and its assets mainly pertain to the land where the Group's buildings, improvements and machinery recently acquired is located at Canlubang, Laguna. In accordance with Group's policy (see Note 1.5), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

Prepayments and other current assets	P	348,198
Land		174,993,207
Trade and other payables	(	341,405)
	P	**175,000,000**

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Benesale, including the expenses incurred in administering the property (i.e., property taxes), shall be updated in the books of the Group on a line-by-line basis, as if they are consolidated in a single entry. The difference shall be charged directly to profit or loss.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

This account is composed of the following:

	Note	**June 30, 2018**	December 31, 2017
Input VAT		**P 109,187,269**	P 112,411,213
Investment subscription		**967,873,880**	107,000,000
Advance rentals		**61,018,771**	38,469,898
Refundable deposits	12.3	**6,273,522**	6,255,500
Prepaid expenses		**6,382,856**	6,647,791
Creditable withholding tax		**2,644,429**	
		P1,153,380,727	P 270,784,402

Prepaid expenses pertain mainly to advance payments on real property taxes and insurance premiums.

Investment subscription pertains to deposit for future subscription made by the Group in certain affiliate companies that are yet to be completed or executed as of June 30, 2018 and December 31, 2017.

Refundable deposits represent amounts paid to the lessor of leased warehouses. These can be applied upon termination against unpaid rent or any damages against the leased property.

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2017 and 2016 are shown below.

	Leasehold Improvements	**Transportation and Other Equipment**	**Furniture and Fixtures**	**Total**
June 30, 2018				
Cost	P 6,842,022	P 51,785,371	P 4,829,221	P 63,456,614
Accumulated depreciation and amortization	(3,874,120)	(36,196,321)	(4,256,125)	(44,326,566)
Net carrying amount	**P 2,967,902**	**P 15,589,050**	**P 573,096**	**P 19,130,048**

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
December 31, 2017				
Cost	P 6,842,022	P 51,188,943	P 4,797,380	P 62,828,345
Accumulated depreciation and amortization	(3,610,965)	(33,944,032)	(4,072,518)	(41,627,515)
Net carrying amount	P 3,231,057	P 17,244,911	P 724,862	P 21,200,830
December 31, 2016				
Cost	P 6,842,022	P 45,465,986	P 4,457,224	P 56,765,232
Accumulated depreciation and amortization	(3,090,017)	(29,501,313)	(3,756,231)	(36,347,561)
Net carrying amount	P 3,752,005	P 15,964,673	P 700,993	P 20,417,671

A reconciliation of the carrying amounts of property and equipment at the beginning and end of period is shown below.

	Leasehold Improvements	**Transportation and Other Equipment**	**Furniture and Fixtures**	**Total**
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 3,231,057	P 17,244,911	P 724,862	P 21,200,830
Additions	-	596,427	31,841	628,268
Depreciation and amortization charges for the year	(263,155)	(2,252,288)	(183,607)	(2,699,050)
Balance at June 30, 2018, net of accumulated depreciation and amortization	**P 2,967,902**	**P 15,589,050**	**P 573,096**	**P 19,130,048**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 3,752,005	P 15,964,673	P 700,993	P 20,417,671
Additions	-	5,722,957	340,156	6,063,113
Depreciation and amortization charges for the year	(520,948)	(4,442,719)	(316,287)	(5,279,954)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 3,231,057	P 17,244,911	P 724,862	P 21,200,830

For the periods ended June 30, 2018 and 2017, depreciation and amortization is presented under Other Operating Expenses account in the condensed consolidated statements of comprehensive income.

As of June 30, 2018 and December 31, 2017 the gross carrying amount of the Group's fully depreciated property and equipment that are still in use is P29.4 million and P29.2 million, respectively.

8. INVESTMENT PROPERTIES

The Group's investment properties represent parcels of land held primarily for capital appreciation but not for sale in the ordinary course of the business or use in the production or supply of goods or services or for administrative purposes. A reconciliation of the carrying amount of investment properties at the beginning and end of June 30, 2018 and December 31, 2017 is shown below.

	June 30, 2018	December 31, 2017
Balance at beginning of year	**P 632,019,207**	P 632,019,207
Acquisition during the year	**418,448,823**	-
Disposals during the year	**(2,093,375)**	-
Balance at end of year	**P1,048,374,655**	P 632,019,207

The real property taxes on investment properties amounted to P0.8 million as of June 30, 2018, and P0.7 million as of June 30, 2017, and were recognized and reported as part of Taxes and licenses under Other Operating Expenses account in the condensed consolidated statements of comprehensive income.

The carrying amount of investment properties as of June 30, 2018 and December 31, 2017 are used as collateral to secure certain long-term loan from local banks obtained in 2017 (see Note 10).

In 2018, the Group sold condominium unit for a total consideration of P3.1 million. The resulting gain from disposal, which amounted to P1.0 million, is presented as Gain on Sale of Investment Properties in the 2017 condensed consolidated statement of comprehensive income.

As determined by independent and Securities and Exchange Commissions (SEC)-accredited property appraisers, the fair market values of these investment properties as of December 31, 2015 amounted to P2.1 billion. The Group's management believes that these investment properties hold the same fair market value as of December 31, 2016 by reference to current and most recent prices for similar property in the same location and condition. In 2017, the Group did not obtain the services of independent and SEC-accredited property appraisers. However, the Group opted to use the current and most recent prices for similar properties in the same location and condition to determine the fair market values of these investment properties as of June 30, 2018, which amounted to P2.1 billion (see Note 19.3).

The Group's management believes that the investment properties are not impaired as the fair value of these properties as of the end of the reporting periods exceeds their carrying amounts as reported in the condensed consolidated statements of financial position.

9. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	June 30, 2018	December 31, 2017
Trust receipts payable		**P 25,632,210**	P 65,695,455
Trade payables		**6,708,422**	13,741,153
Accrued expenses	12.5, 15.1	**6,883,961**	2,932,063
Output VAT payable		**1,658,215**	1,599,454
Advances from a stockholder	12.2	**730,250**	730,250
Others		**5,551,017**	4,293,543
		P 47,164,075	P 88,991,918

The Group avails of trust receipt facilities with local banks that were used to finance its purchases of inventories. These short-term trust receipts, which are secured by the related inventories, bear interests based on prevailing market interest rates, ranging from 2.5% to 4.5% in the periods ended June 30, 2018 and December 31, 2017.

Interest expense incurred on these transactions in the periods ended June 30, 2018 and 2017 amounted to P1.9 million and P2.0 million, respectively, and is presented as part of Interest expense under Finance Income (Costs) – Net in the condensed consolidated statements of comprehensive income. There is no unpaid interest as of June 30, 2018 and December 31, 2017.

Accrued expenses include the Group's obligations relating to the accrual of professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

10. LOANS PAYABLE

This account includes the following as at June 30, 2018 and December 31, 2017.

	June 30, 2018	December 31, 2017
Current	**P 485,000,000**	P 565,000,000
Non-current	**1,958,741,734**	1,957,029,980
	P2,443,741,734	P 2,522,029,980

A reconciliation of the movements in the amount of loans payable at the beginning and end of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
Balance at beginning of year	**P 2,522,029,980**	P 467,500,000
Availments during the year	**200,000,000**	2,350,000,000
Debt issue cost	**-**	(10,000,000)
Amortization of debt issue cost	**1,711,754**	2,029,980
Settlements made	**(280,000,000)**	(287,500,000)
	P2,443,741,734	P 2,522,029,980

For the current and prior years, the Group obtained unsecured, short-term and long-term interest-bearing loans from local banks. These loans were subject to annual interest rates ranging from 1.1% to 4.88% for the periods ended June 30, 2018 and 2017, and the proceeds from which were used for working capital requirements.

Interest expense incurred on these loans for the periods ended June 30, 2018 and 2017 amounted to P54.8 million and P8.4 million, respectively, and is presented as part of Interest expense under Finance Income (Costs) – Net account in the condensed consolidated statements of comprehensive income. There was no unpaid interest as of June 30, 2018.

The details of the non-current loans payable as of June 30, 2018 are as follows:

	June 30, 2018	December 31, 2017
Balance at beginning of period, net of debt issuance costs	**1,957,029,980**	1,990,000,000
Reclassification of current portion	**-**	(35,000,000)
Amortization	**1,711,754**	2,029,980
Balance at end of year	**P1,958,741,734**	P 1,957,029,980

The carrying amount of investment properties as of June 30, 2018 are used as collateral to secure certain long-term loan from local banks obtained in 2017 (see Note 8).

Other outstanding short-term loans as of June 30, 2018 and 2017 were availed using the Parent Company's credit line facility wherein no collateral is needed.

11. OTHER OPERATING INCOME

Other operating income includes fees received from non-compete and non-obstruction agreement and other miscellaneous income. The other operating income as of June 30, 2018 and 2017 amounted to P2.5 million and P16.1 million, respectively.

12. RELATED PARTY TRANSACTIONS

The Group's related parties include its Parent Company, related parties under common ownership and its key management personnel. The transactions with these related -parties are discussed below.

		Amount of Transactions		Outstanding Balances Receivables (Payables)	
Related Party Category	Notes	**June 30, 2018**	June 30, 2017	**June 30, 2018**	December 31, 2017
Related Parties Under Common Ownership:					
Due from associates	12.2	**P 100,000,000**	P -	**P 1,777,724,331**	P 1,677,724,331
Lease agreements	12.3	**19,692,636**	16,608,885	**-**	6,189,500
Sale of goods	12.1	**23,384**	4,962,017	**23,950**	4,499,053
Purchase of goods	12.1	**449,886**	-	**-**	-
Shared business and management services	12.4	**893,368**	893,368	**114,787**	-
Key Management Personnel –					

Fees paid	12.5	**5,546,044**	1,730,267	**(1,200,000)**	(1,200,000)

Outstanding receivable arising from these transactions are unsecured, noninterest-bearing and generally payable in cash on demand. Based on management's assessment, receivables from related parties are not impaired as of June 30, 2018 and December 31, 2017.

12.1 Purchase and Sale of Goods

For the periods ended June 30, 2018 and 2017, the Group sold goods to Baler Industrial Corporation (BIC), a related party under common ownership, and to an entity owned by the Group's shareholder and Chairman of the BOD, which is presented as part of Sale of Goods in the condensed consolidated statements of comprehensive income. The outstanding receivable from this transaction is presented as part of Trade receivables under Trade and Other Receivables in the condensed consolidated statements of financial position (see Note 3).

In 2018, the Group purchased goods from BIC which is presented as part of Cost of Sales account in the 2018 condensed consolidated statement of comprehensive income. There is no outstanding balance arising from this transaction as of June 30, 2018.

12.2 Advances

In 2018, the Group made a partial deposit on behalf of UHC for the purchase of certain property. Also, in 2017, Group made a partial deposit on behalf of CPHI for the purchase of a certain property. The transactions are yet to be completed as of June 30, 2018 and 2017. The outstanding receivable arising from these transactions are presented as Due from associates under Trade and Other Receivables in the condensed consolidated statements of financial position (see Note 3).

In 2017, LHC obtained noninterest-bearing and unsecured advances from its stockholder to support its working capital requirements. The outstanding liabilities arising from these transactions are presented under Trade and Other Payables account in the condensed consolidated statements of financial position (see Note 9).

12.3 Lease Agreements

The Group, as a lessee, entered into an operating lease agreement with average term of one year, covering certain warehouses owned by the Group's Chairman of the BOD and related companies, Canon Realty and Development Corp., Aneco Philippines Holdings Corp, Icare Holdings Corporation, corporations under common ownership of the Sytengco family.

Rental expense for the periods ended June 30, 2018 and 2017 arising from these lease agreements is shown under Other Operating Expenses in the condensed consolidated statements of comprehensive income. The outstanding balance as of December 31, 2017, is presented as part of Accrued expenses under Trade and Other Payables in the 2017 condensed consolidated statement of financial position. There were no outstanding rentals as of June 30, 2018. Deposits made on these lease agreements are presented as part of Refundable deposits under Prepayments and Other Current Assets in the condensed consolidated statements of financial position (see Note 6).

12.4 Shared Business and Management Services

In 2017, SBS Holdings entered into a consultancy service agreement with a certain stockholder wherein the former shall provide certain administrative services for a fee. Such transaction is recognized as part of Consultancy Income in the condensed consolidated statements of comprehensive income. The related outstanding balance arising from this transaction is presented as part of Trade receivables under the Trade and Other Receivables account in the condensed consolidated statements of financial position (see Note 3).

In 2015, the Parent Company entered into a service agreement with its related parties under common ownership wherein the former shall provide certain operational, management and administrative services for a fee. Management fees charged by the Parent Company are recognized under the Finance Income (Costs) – Net account in the condensed consolidated statements of comprehensive income.

12.5 Key Management Personnel

Payments received by key management personnel pertain to service fees for the periods ended June 30, 2018 and 2017, which is presented under Other Operating Expenses and also as part of Cost of services under Cost of Sales and Services in the condensed consolidated statements of comprehensive income. Outstanding service fees arising from this transaction are presented as part of Accrued expenses under Trade and Other Payables in the condensed consolidated statements of financial position (see Note 9).

13. SEGMENT REPORTING

13.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Group's three main revenue sources, which represent the products and services provided by the Group, namely Sale of Goods, Consultancy and Other Income and Investment Income.

13.2 Analysis of Segment Information

The table in the succeeding page presents revenue and profit information regarding business segments of the Group for the periods ended June 30, 2018 and 2017.

	Sale of Goods	Consultancy and Other Income	Investment Income	Total
June 30, 2018				
Revenues	P 582,888,120	P 8,912,004	P 6,822,128	P 598,622,252
Cost	427,156,323	2,631,150	-	429,787,473
	155,731,797	6,280,854	6,822,128	168,834,779
Other operating expenses:				
Rental expense	19,692,636	-	-	19,692,636
Salaries and wages	9,350,211	-	-	9,350,211
Outside services	2,558,225	-	-	2,558,225
Insurance	1,677,874	-	-	1,677,874
Transportation and travel	12,191,728	-	-	12,191,728
Advertising and promotions	145,611	-	-	145,611
Commission	37,513	-	-	37,513
	45,653,798	-	-	45,653,798
Segment profit before depreciation and amortization	**P 110,077,999**	**P 6,280,854**	**P 6,822,128**	**P 123,180,981**
June 30, 2017				
Revenues	P 512,701,509	P 16,085,847	P 6,822,128	P 535,609,484
Cost	383,725,434	389,206	-	384,114,640
	128,976,075	15,696,641	6,822,128	151,494,844
Other operating expenses:				
Rental expense	16,608,885	-	-	16,608,885
Salaries and wages	14,115,709	-	-	14,115,709
Outside services	2,687,293	-	-	2,687,293
Transportation and travel	1,881,360	-	-	1,881,360
Insurance	2,397,787	-	-	2,397,787
Advertising and promotion	133,989	-	-	133,989
Commission	493,527	-	-	493,527
	38,318,550	-	-	38,318,550
Segment profit before depreciation and amortization	P 90,657,525	P 15,696,641	P 6,822,128	P 113,176,294

Below is the Group's reconciliation of the components of reportable segments to the condensed consolidated statements of profit or loss:

	2018	2017
Revenues – Total revenue of reportable segments	**P 598,622,252**	P 535,609,484
Costs and expenses:		
Total costs and expenses of reportable segments	**475,441,271**	422,433,190
Other costs and expenses from non-reportable segments	**59,068,279**	38,197,936
Depreciation and amortization	**2,699,051**	2,924,421
	537,208,601	463,555,547
Gain on disposal of investment properties	**1,029,750**	-
Finance costs – Net	**36,895,990**	1,958,854
Profit before tax	**P 26,547,411**	P 70,095,083

The results of operations from the three segments are used by management to analyze the Group's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Group's operation. Expenses are allocated through direct association of costs and expenses to operating segments.

14. EQUITY

14.1 Capital Stock

Capital stock consists of common shares with details shown below.

	Shares		Amount	
	2018	2017	2018	2017
Authorized - P1 par value	1,550,000,000	1,550,000,000	P 1,550,000,000	P 1,550,000,000
Issued				
Balance at beginning of period	1,549,999,999	1,200,000,000	P 1,549,999,999	P 1,200,000,000
Issuance of shares	-	302,000,000	-	302,000,000
Stock Dividends	-	47,999,999	-	47,999,999
	1,549,999,999	1,549,999,999	1,549,999,999	1,549,999,999
Treasury shares				
Balance at beginning of period	-	(5,454,400)	-	(P 29,973,840)
Acquisition of Treasury shares	-	(25,505,200)	-	(168,974,313)
Reissuance of treasury sales	-	30,959,600	-	198,948,153
	-	-	-	-
Balance at end of period	1,549,999,999	1,549,999,999	P 1,549,999,999	P 1,549,999,999
Subscribed:				
Balance at beginning of period	1,549,999,999	1,200,000,000	P 1,549,999,999	P 1,200,000,000
Stock Dividends	-	47,999,999	-	47,999,999
Additional subscription during the period	-	302,000,000	-	302,000,000
Balance at end of period	1,549,999,999	1,549,999,999	P 1,549,999,999	P 1,549,999,999

The authorized capital stock of the Parent Company is P1,550,000,000 consisting of 1,550,000,000 Common Shares with a par value of P1.00 per share. A total of 1,549,999,999 common shares are subscribed and outstanding as of June 30, 2018 and as of December 31, 2017.

On August 10, 2015, a total of 1,200,000,000 common shares of the Parent Company with par value of P1.00 per share were listed under the Main Board of the PSE. In addition, by way of an initial public offering (IPO), the Parent Company sold 420,000,000 shares of its common stock at an offer price of P2.75 per share on the same day. The IPO resulted in a recognition of Additional Paid-in Capital amounting to P698.4 million, net of IPO-related expenses amounting to P36.6 million.

On June 9, 2017, the shareholders representing at least 2/3 of the outstanding capital stock of the Parent Company approved the declaration of stock dividends to be payable at the rate of one common share for every 25 common shares owned by stockholders as of June 23, 2017 (or approximately up to 48.0 million common shares) with any resulting fractional shares to be dropped. The issuance of the stock dividends is an exempt transaction under the Securities Regulation Code 68, as amended, and do not require any written confirmation of exemption from the SEC. Subsequently on July 17, 2017, such stocks dividends amounting to P288.5 million were distributed to the stockholders: P48.0 million representing the par value of 47,999,999 common shares were distributed and the remaining P240.5 million was recognized as part of Additional Paid-in Capital.

On June 23, 2017, all of the treasury shares outstanding as of that date were sold by way of a block sale through the facilities of the PSE at an agreed price of P6.50 per share. The price represents a premium of 2.85% from its last traded price of P6.32 as of the close of trading on June 22, 2017 and 2.05% premium over the 5-day volume weighted average price of P6.37 from June 21, 2017. The treasury shares were reissued above its acquisition cost, resulting in additional paid-in capital of P2.3 million.

On December 22, 2017, a total of 302,000,000 common shares of the Parent Company with par value of P1.00 per share were listed under the Main Board of the PSE by way of stock rights offering (SRO) at an offer price of P4.67 per share. The SRO resulted to recognition of Additional Paid-in Capital amounting to P1,101.6 million, net of SRO-related expenses amounting to P7.0 million.

As of June 30, 2018, there are 6 holders of the listed common shares owning at least one board lot of 100 shares. Such listed shares closed at P8.31 per share as of June 29, 2018 (the last trading day in 2nd quarter of 2018).

14.2 Retained Earnings

On May 10, 2018, the Parent Company approved the declaration of cash dividend of P0.017 per share, totalling P26.4 million, to all shareholders as of record date of June 1, 2018 and paid on June 22, 2018.

On June 9, 2017, the shareholders representing at least 2/3 of the outstanding capital stock of the Parent Company approved the declaration of stock dividends. On July 17, 2017, such stocks dividends equivalent to 47,999,999 common shares were distributed (see Note 14.1).

On November 8, 2016, the Group's BOD approved a share buy-back program and appropriated P200.0 million for this. The share buy-back program commenced on November 22, 2016 and was fully expended. On April 11, 2017, the Group's BOD approved a new share buyback program with a volume of up to another P200.0 million. On May 10, 2018, the Parent Company BOD approved to reallocate P200.0 million appropriated from its share buy-back program back to the Company's unappropriated retained earnings.

As of December 31, 2017, this appropriation is not yet utilized. As of December 31, 2017, the Group has no outstanding treasury shares due to the reissuance of treasury shares in 2017 (see Note 20.1).

There are no dividends payable as of June 30, 2018.

Earnings per Share

Basic earnings per share are computed as follows:

		2018		2017
Income available to common shares	**P**	**23,190,121**	P	53,503,607
Divided by the weighted average number of outstanding common shares		**1,549,999,999**		1,197,272,250
	P	**0.01**	P	0.04

15. COMMITMENTS AND CONTINGENCIES

15.1 Operating Lease Commitments – Group as Lessee

The Group is a lessee under various operating lease agreements with certain related parties covering certain warehouses with terms ranging from one to three years in 2015. Starting from 2016, the lease agreements were renewed for one-year term renewable annually with a new rental fee (see Note 12.3). The future minimum lease payable within one year under these non-cancellable operating leases amounted to P19.7 million and P37.2 million as of June 30, 2018 and December 31, 2017.

Expenses related to these agreements are shown as Rentals under Other Operating Expenses in the condensed consolidated statements of profit or loss. The outstanding liability arising from these transactions are shown as part of Accrued expenses under Trade and Other Payables in the condensed consolidated statements of financial position (see Note 9).

15.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. As of June 30, 2018 and 2017, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

16. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities.

The Group's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

16.1 Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at June 30, 2018 and December 31, 2017, the Group is exposed to changes in market interest rates through its loans payable (see Note 10) and cash in banks, which are subject to variable interest rates.

16.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or the detailed analysis provided in the notes to consolidated financial statements as shown below.

	Notes	**June 30, 2018**	December 31, 2017
Cash and cash equivalents		**P 724,398,375**	P 2,368,102,884
Trade and other receivables	3	**1,918,722,006**	1,840,405,056
HTM investments	4	**244,740,000**	244,740,000
Refundable deposit	6	**6,273,522**	6,255,500
		P 2,894,133,903	P 4,459,503,440

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of the Group's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under RA No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

(b) *Trade and Other Receivables and Refundable deposits*

In respect of trade and other receivables and refundable deposits, the Group is not exposed to any significant credit risk exposure to any single counterparty. Based on historical information about the counterparty default rates, management consider the credit quality of the receivable that are not past due or impaired to be good.

With respect to due from associates, the Group is not exposed to any significant credit risk exposure to the counterparty. The counterparties are newly incorporated companies and their management and related parties expressed their commitment to provide continuing financial support until the counterparties generate their own revenue that will financially support their operations and subsequently settle their obligation to the Group.

16.3 Liquidity Risk

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

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at June 30, 2018 and December 31, 2017, the Group's financial liabilities have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
June 30, 2018:			
Trade and other payables	P 45,970,403	P -	P -
Loans payable	533,697,110	43,372,952	1,978,764,375
	P 579,667,513	**P 43,372,952**	**P1,978,764,375**

	Within 6 Months	6 to 12 Months	More than 1 Year
December 31, 2017:			
Trade and other payables	P 86,587,144	P -	P -
Loans payable	620,175,442	47,896,875	2,150,340,082
	P 706,762,586	P 47,896,875	P 2,150,340,082

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

17. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Group monitors capital on the basis of the carrying amount of equity as presented on the condensed consolidated statements of financial position.
The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The debt-to-equity ratio as of June 30, 2018 and December 31, 2017 is presented below.

	June 30, 2018	December 31, 2017
Liabilities	**P 2,499,541,804**	P 2,626,395,240
Equity	**4,742,816,365**	4,751,254,899
Debt-to-equity ratio	**0.53 : 1.00**	0.55 : 1.00

18. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

18.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the condensed consolidated statements of financial position are shown below.

		June 30, 2018		December 31, 2017	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents		**P 724,398,375**	**P 724,398,375**	P 2,368,102,884	P2,368,102,884
Trade and other receivables	3	**1,918,722,006**	**1,918,722,006**	1,840,405,056	1,840,405,056
Refundable deposits	6	**6,273,522**	**6,273,522**	6,255,500	6,255,500
		2,649,393,904	**2,649,393,902**	4,214,763,440	4,214,763,440
HTM investments –					
Debt securities	4	**244,740,000**	**244,740,000**	244,740,000	257,466,480
		P 2,894,133,902	**P 2,894,133,902**	P 4,459,503,440	P4,472,229,920
Financial liabilities					
Financial liabilities at amortized cost:					
Loans payable	10	**P 2,443,741,734**	**P 2,443,741,734**	P 2,522,029,980	P2,522,029,980
Trade and other payables	9	**45,506,860**	**45,506,860**	85,708,431	85,708,431
		P 2,489,248,594	**P2,489,248,594**	P 2,607,738,411	P2,607,738,411

See Notes 1.6 and 1.12 for description of the accounting policies for each category of financial instrument including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 16.

18.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments as of June 30, 2018 and December 31, 2017 and does not have relevant offsetting arrangements as of the end of the reporting periods. Currently, financial assets and financial liabilities are settled on a gross basis; however, if applicable, each party to the financial instrument will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties.

19. FAIR VALUE MEASUREMENT AND DISCLOSURES

19.1 Fair Value Hierarchy

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

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

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

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

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

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

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

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

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the June 30, 2018 and December 31, 2017 condensed consolidated statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
June 30, 2018				
Financial assets:				
Cash and cash equivalents	P 724,398,375	P -	P -	P 724,398,374
Trade and other receivables	-	-	1,918,722,006	1,918,722,006
Debt security – HTM investment	244,740,000	-	-	244,740,000
Refundable deposits	-	-	6,273,522	6,273,522
	P 969,138,375	**P -**	**P1,924,995,528**	**P2,894,133,903**
Financial liabilities:				
Trade and other payables	P -	P -	P 45,506,860	P 45,506,860
Loans payable	-	-	2,443,741,734	2,443,741,734
	P -	**P -**	**P2,489,248,594**	**P2,489,248,594**
December 31, 2017				
Financial assets:				
Cash and cash equivalents	P2,368,102,884	P -	P -	P 2,368,102,884
Trade and other receivables	-	-	1,840,405,056	1,840,405,056
Debt security – HTM investment	257,466,480	-	-	257,466,480
Refundable deposits	-	-	6,255,500	6,255,500
	P 2,625,569,364	P -	P1,846,660,556	P 4,472,229,920
Financial liabilities:				
Loans payable	P -	P -	P2,522,029,980	P 2,522,029,980
Trade and other payables	-	-	85,708,431	85,708,431
	P -	P -	P2,607,738,411	P2,607,738,411

For financial assets and financial liabilities, other than HTM investment, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. HTM investment consists of equity securities with fair value determined based on prices quoted in the PSE representing the bid prices at the end of the reporting period.

19.2 Fair Value Measurement for Non-financial Assets

For the fair value measurement of non-financial asset, the fair market values of investment properties as of June 30, 2018 and December 31, 2017 classified as Level 2 which are determined through current and most recent prices for similar properties in the same location and condition amounted to P2.1 billion. (see Note 8).

20. EVENTS AFTER THE END OF THE PERIOD

On August 9, 2018, the Certificate Authorizing Registration ("CAR") was issued by the Bureau of Internal Revenue relative to the purchase of Berny Philippines Corp. ("Berny") common shares by the Parent Company and SBS Holdings amounting to 5.5% and 17.5% of equity shareholdings of Berny, respectively. The issuance of the CAR effects the sale transaction and authorizes Berny to register the sale of shares in its corporate books.

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
LIST OF SEC SUPPLEMENTARY SCHEDULES COVERED BY INDEPENDENT AUDITORS' REPORT
JUNE 30, 2018

(1) Supplementary Schedule to Financial Statements
(Annex 68-E, SRC Rule 68)

Schedule	**Content**
A	Financial Assets Loans and receivables Financial Assets at Fairr Value Through Profit or Loss Held-to-maturity Investments Available-for-sale Financial Assets
B	Amounts Receivables / Accounts Payables from/to Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated duruing the Consolidation of Financial Statements Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-term Debt
F	Indebtedness to Related Parties
G	Guarantee of Securities of Other Issues
H	Capital Stock

(2) Schedule of Philippines Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017

(3) Map Showing the Relationship Between the Company and its Related Entities

(4) Reconciliation of Retained Earnings Available for Dividend Declaration

(5) Schedule of Financial Soundness Indicators

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Loans and Receivables)
JUNE 30, 2018
(Amounts in Philippine Pesos)

Description	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents	P 724,398,375	-	P 13,183,190
Trade and other receivables	1,918,722,006	-	-
Refundable deposits	6,273,522	-	-
	P 2,649,393,903	-	P 13,183,190

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Held-to-maturity Investments)
JUNE 30, 2018
(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Ayala Corporation (Preferred) - HTM Investments	489,480	P 244,740,000	P 6,822,128

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

(A Subsidiary of Anesy Holdings Corporation)

SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Financial Assets at Fair Value Through Profit or Loss)

JUNE 30, 2018

(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

(A Subsidiary of Anesy Holdings Corporation)

SEC Released Amended SRC Rule 68

Schedule A - Financial Assets (Available-for-sale Fiancial Assets)

JUNE 30, 2018

(Amounts in Philippine Pesos)

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued

NOT APPLICABLE

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
SEC Released Amended SRC Rule 68

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts paid	Amounts reclassified	Current	Non-current	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

June 30, 2018

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule D
Other Assets
June 30, 2018

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost and expenses	Deductions: Charged to other accounts	Other changes additions (deductions)	Ending Balance
Prepayments	P 158,373,189	P 184,515,459	(P 16,358,342)	(P 252,855,157)	P -	P 73,675,149
Creditable withholding tax	-	2,122,119		-	522,310	2,644,429
Input Value-Added Tax	112,411,213	32,061,567	-	(35,285,511)	-	109,187,269
	P 270,784,402	P 218,699,145	(P 16,358,342)	(P 288,140,668)	P 522,310	P 185,506,847

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule E

Long Term Debt

June 30, 2018

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Term Loan	P 3,200,000,000	P 485,000,000	P 1,958,741,734

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule F

Indebtedness to Related Parties (Long-Term Loans from Related Companies)

June 30, 2018

Name of related party	Balance at beginning of period	Balance at end of period

NOTHING TO REPORT

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule G

Guarantees of Securities of Other Issuers

June 30, 2018

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

NOTHING TO REPORT

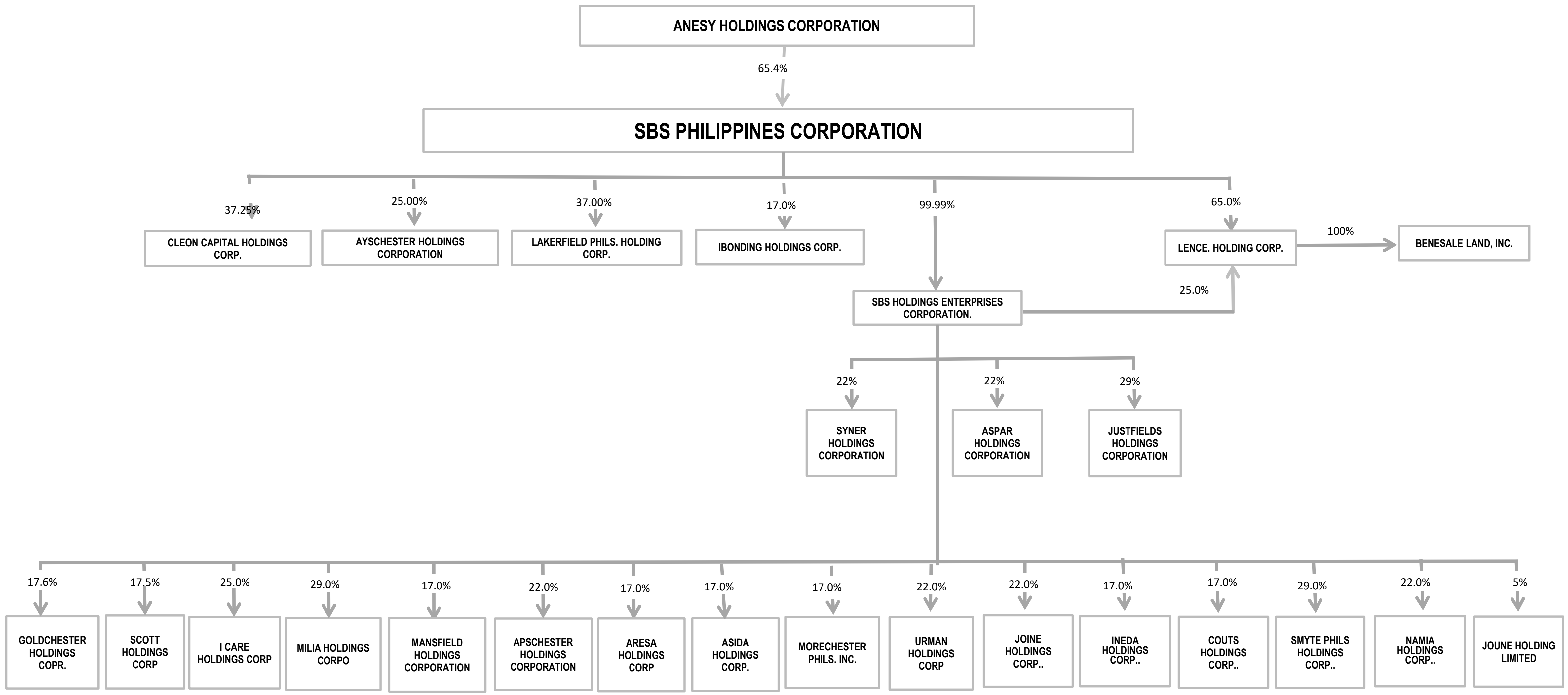
SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H
Capital Stock
June 30, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, converstion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	**1,550,000,000**	**1,549,999,999**	**-**	**1,022,515,272**	**132,456,855**	**395,027,872**

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP

ULTIMATE PARENT COMPANY AND SUBSIDIARY



SBS PHILIPPINES CORPORATION
Schedule of Financial Indicators for June 30, 2018 and 2017

	2018	2017
Liquidity Ratio [1]	**918.6%**	491.4%
Debt to Equity Ratio [2]	**52.7%**	90.2%
Asset to Equity Ratio [3]	**154.0%**	190.2%
Return on Assets [4]	**0.3%**	90.0%
Return on Equity [5]	**0.6%**	1.6%
Cost to Income Ratio [6]	**14.3%**	16.7%
Interest Cost Coverage Ratio [7]	**151.41%**	707.9%
Earnings per Share [8]	**PHP 0.01**	PHP 0.04

1/ *Current Assets over Current Liabilities*
2/ *Total Liabilities over Equity*
3/ *Total Assets over Equity*
4/ *Net Income over Average Assets*
5/ *Net Income over Average Equity*
6/ *Cost and Expenses over Revenues*
7/ *EBIT over Interest Expense*
8/ *Net Income over Weighted Average Number of Common Outstanding Shares*

SBS Philippines Corporatiom

Aging of Trade Receivables

As of June 30, 2018

	Amount	Current	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	over 180 days
Grand Total	134,546,287	124,323,198	9,087,039	745,050	-	-	-	391,000	-
No. of companies	171	162	26	1	-	-	-	1	-

-   -

PART II: **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following discussions should be read in conjunction with the Unaudited Consolidated Interim Financial Statements of the Company as of and for the period 30 June 2018 (with comparative figures as of 31 December 2017 and for the period ended 30 June 2018).

Results of Operations (1H 2018 versus 1H 2017)

SBS Philippines Corporation ("SBS"or the "Company") and its subsidiary continued with the growth momentum as it reported sales of P589.3 million in the first six months of 2018, up by 15% compared to previous comparable period of P512.7 million mainly due to volume and product mix in the distribution business.

Feeds and other veterinary and agricultural inputs continued with its remarkable growth, and now accounted for 38% of total sales. The weakness of the local currency resulted in significant increase in product cost, thereby tapering the growth momentum in the second quarter.

The Company posted a remarkable improvement on its gross profit from core business in the first six months of 2018, which increased by 24% year over year as the Company benefitted from the increase in the average sales prices and improvement in the product mix. Showing the continued benefits of the mix enrichment strategy undertaken and margin maintenance efforts, gross margin increased to 26.7% from 25.2% for the distribution business, with market share gains in other product segments cushioning the sales volume reduction in the food ingredients products.

Operating profit on a consolidated basis increased to P78.7 million from P69.2 million on comparable period year on year brought about by improved sales revenue and higher margin of the core business. Net finance cost expense incurred in 1st half 2018 increased by P33.9 million to finance the Company's diversification and investment strategy. Consequently, the net profit for the period amounted to P23.2 million versus the P53.5 million registered for 2017 comparable period mainly due to the increase in both the finance cost and equity in net losses.

Material Changes to the Statement of Comprehensive Income for the six months ended 30 June 2018 compared to the Statement of Comprehensive Income for the six months ended 30 June 2017.

Gross revenues for the period increased by 15% from P512.7 million in 2017 to P589.3 million in 2018. The growth momentum during the 2nd quarter slowed down to 7.7% increase as compared to 22% increase in the 1st quarter compared to similar period in 2017. The continued resistance to pricing actions to reflect higher commodity product costs caused a decline in sales of food ingredients raw materials in the 1st half of 2018. Meanwhile, revenue of P6.4 million from consultancy services provided by the Group was generated during the period.

Cost of sales and services increased by 11.8% or P45.3 million in the first six months of 2018, from P383.7 million in 2017 comparable period to P429.0 million in 2018, reflecting the increase in sales volume. Meanwhile, the cost of services incurred by the Group during the period amounted to P1.9 million. No similar cost of service was incurred in the same period of 2017.

Gross profit from core operations increased by P31.3 million from P129.0 million posted in 2017 to P160.3 million in 2018. The increase is largely attributed to increase in sales volume, improved sales mix and active margin management.

Other operating expenses rose by 10.7% to P84.1 million in 2018 from P75.9 million posted in 2017 on account of higher sales activity for the quarter and increased start-up cost at the Subsidiaries to generate new revenue streams for the Company.

Equity in net losses of associates also increased by P20.2 million year on year brought about by the combined losses incurred by four (4) associate companies of the Company and the nineteen (19) associate companies of its subsidiary, SBS Holdings, many of which were not yet existing in the same period last year.

In the first six months of 2018, the net finance cost incurred increased by P33.9 million mainly due to the long term debt drawn in 2nd quarter of 2017 to partially finance the Company's diversification and investment strategy.

Due to the lower taxable income posted for the period, the consolidated income tax expense fell by 80% or P13.2 million. Net profit consequently declined from P53.5 million in 2017 to P23.2 million in 2018 mainly because of the higher finance cost and equity in net losses of the different associate companies.

Material Changes to the Statement of Financial Position as at 30 June 2018 Compared to the Statement of Financial Position as at 31 December 2017

Assets

As at 30 June 2018, total assets on consolidated basis reached P7,301.7 million, consisting of P4,891.8 million in current assets and P2,410.0 million in non-current assets. As at 31 December 2017, total assets reached P7,377.7 million, consisting of P5,556.8 million in current assets and P1,820.8 million in non-current assets.

Cash in banks decreased by 69.4% from P2,368.1 million in 2017 to P724.4 million in 2018. For the first six months ended 30 June 2018, a total collection of P287.2 million were received as follows: P200.0 million as proceeds from availment of loans, P54.1 million from issuance of shares to non-controlling interest, P6.8 million in cash dividends received from HTM investments, P10.1 million gain in exchange rates, P3.1 million as proceeds from sale of investment property, and P13.1 million interest received. Against this, a total of P1,930.9 million in settlements were made consisting of the following: P940.1 million from operating activities, P6.8 million in software and other fixed asset acquisition, P243.4 million in acquisition of investment property , P175.0 million in acquisition of Benesale Land, Inc (Benesale), the new subsidiary of Lence Holdings Corporation owning a parcel of land and treated as asset acquisition, P195.4 million on additional investments in affiliate companies, P280.0 million for settlement of loans, P26.3 million for payment of cash dividend, P7.0 million for income tax payment and P56.9 million in interest payments (net of interest income on short-term placements).

Trade and other receivables increased by 4.3% from P1,840.4 million in 2017 to P1,918.7 million in 2018 as result of higher chemical sales on credit and property acquisition transaction that is yet to be completed.

Inventory level increased by P17.7million or 1.6% from P1,077.5 million in 2017 to P1,095.3 million in 2018 as a result of higher volume of importation for stock replenishment and to support projected increase in sales activity for the year.

Prepayments and other current assets increased by 425.9% from P270.8 million in 2017 to P1,153.4 million as of June 30, 2018 due to increase in the deposits made by the Subsidiary for future stock subscription in several affiliate Companies.

Investment properties escalated by 65.9% or P416.4 million to P1,048.4 million in first half of 2018 from P632.0 million in December 31, 2017 due to acquisition of certain property located at Canlubang, Laguna, including the investment property of Benesale during the 1st quarter 2018, and a divestment of a condominium property in the 2nd quarter 2018.

Investments in associates increased to P1,086.8 million in the first half of 2018 from P915.6 million in December 31, 2017 as the Company's subsidiary, SBS Holdings, subscribed minority ownership stake in seven (7) newly incorporated affiliate holding companies that will serve as vehicle for real estate investments.

Carrying cost of property and equipment decreased by P2.1 million or 9.8% to P19.1 million in 2018 from P21.2 million in 2017 as a result of the acquisition of P0.6 million of equipment net of P2.7 million additional depreciation expense during the period. Intangible asset of P3.6 million during the period is due to acquisition of computer software. No intangible asset as of 2017.

Liabilities

The total liabilities as at 30 June 2018 amounted to P2,499.5 million, comprising of P532.6 million in current liabilities and P1,967.0 million in non-current liabilities. For 31 December 2017, the total liabilities amounted to P2,626.4 million comprised of P661.1 million in current liabilities and P1,965.3 million in non-current liabilities.

Current loans payable decreased by 14.2% or P80.0 million from P565.0 million in 2017 to P485.0 million in 2018 due to payment made during the period.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost has an outstanding balance of P1,958.7 million.

Total equity

The total equity as at 30 June 2018 was P4,802.2 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P953.5 million in retained earnings gross of the P3.5 million revaluation reserves and P59.4 million non-controlling interest in a subsidiary. As of 31 December 2017, the total equity was P4,751.3 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P956.3 million in retained earnings, net of P3.5 million revaluation reserves and P5.6 million non-controlling interest in a subsidiary.

Retained earnings decreased by 0.3% or P2.8 million from P956.3 million in 2017 to P953.5 million in 2018 on account of current period earnings of P23.2 million and cash dividend payment of P26.4 million.

Liquidity and Capital Resources

Net cash flows from operating activities

The 2018 cash flows from operating activities resulted to a net outflow of P86.3 million. The cash disbursements involved income tax payments, payments of trade purchases and other receivables, and an increase in prepayments.

Net cash flows from investing activities

The cash flow in investing activities resulted to a net outflow of P1455.2 million mainly due to investment in associate companies and acquisition of investment properties by a subsidiary partially compensated by cash dividend received from HTM investments, proceeds from sale of investment property, and interest received in short term placements.

Net cash flows used in financing activities

The cash flow from financing activities resulted in a net outflow of P109.1 million. The cash outflow mainly comprised of loan settlement, cash dividend payment, and interest payment, partially compensated with proceeds from issuance of shares on non-controlling interest in a subsidiary.

Key Performance Indicators (30 June 2018 versus 30 June 2017)

	2018	2017
Liquidity Ratio [1]	**918.6%**	491.4%
Debt to Equity Ratio [2]	**52.7%**	90.2%
Asset to Equity Ratio [3]	**154.0%**	190.2%
Return on Assets [4]	**0.3%**	90.0%
Return on Equity [5]	**0.6%**	1.6%
Cost to Income Ratio [6]	**14.3%**	16.7%
Interest Cost Coverage Ratio [7]	**151.41%**	707.9%
Earnings per Share [8]	**PHP 0.01**	PHP 0.04

1/ *Current Assets over Current Liabilities*

2/ *Total Liabilities over Equity*

3/ *Total Assets over Equity*

4/ *Net Income over Average Assets*

5/ *Net Income over Average Equity*

6/ *Cost and Expenses over Revenues*

7/ *EBIT over Interest Expense*

8/ *Net Income over Weighted Average Number of Common Outstanding Shares*

Other qualitative and quantitative factors

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

Other than those disclosed herein and in the notes to the financial statements, there are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation, or any 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.

The Company does not expect any liquidity problems and is not in default of any financial obligations, including any loan covenant.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

(iii) Any 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:

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures

Capital Expenditures

Reference is made to the proposed utilization of proceeds raised from the Initial Public Offering (IPO) as disclosed in the Company's Prospectus dated July 24, 2015 and the Disbursement of Proceeds and Progress Report dated July 12, 2018.

As of June 30, 2018, the amount of P84,042,565.34 will continue to be used for purchase of new equipment and machinery acquisitions as included but not limited to those itemized in the Company's Prospectus to be undertaken during the period 2018-2019 as aligned with the business requirements of the Company.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations

The Company expects a slower demand during the 3rd quarter compared to 1st half 2018 due to cyclical nature of the business and continued price volatility for its commodity chemical. However, 4th quarter is projected to continue as a strong quarter for this year.
Meanwhile, the prevailing weakness of the Philippine Peso may impact the profitability of the Company in succeeding quarters if the pricing action being implemented will encounter strong resistance from the market.

(vi) Any significant elements of income or loss that did not arise from continuing operations

In the first six months of 2018, the Subsidiaries incurred documentary stamp tax expense of P5.1 million related to the issuance of new shares by the Subsidiaries, and is reported as part of the consolidated operating expenses. Meanwhile, P1.0 million gain on sale of investment property has been realized.

(vii) Causes for any material change from period to period

Please refer to the discussions provided on the material changes in the results of operations, comprehensive income and financial position under the management's discussion and analysis of financial conditions and results of operations stated in the preceding pages.

(viii) Seasonal aspects that had material effect on the financial condition or results of operations

For some end markets served by the Company, there is a pronounced cyclicality in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicality creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicality of specific industries.