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 September 2019**

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) 8371-1111**
   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 30 September 2019
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 SBS Philippines Corporations ("SBS") and its subsidiaries as of and for the period ended September 30, 2019 (with comparative figures as of December 31, 2018 and for the period ended September 30, 2018) 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

The company expects a stronger demand in the 4th quarter of 2019 compared to comparative quarter of 2018 due to the growth momentum achieved for this year. However, on quarter to quarter basis, the demand in 4th quarter is expected to be lower than the previous 2 quarters due to cyclical nature of the business and the potential negative impact of the African swine fever that affected the swine industry and pork products in certain areas of the country.

For the property related business, the Group remains optimistic on the growth opportunities in this sector and will continue to invest in this segment.

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 12 November 2019.

GERRY D. TAN	**AYLENE Y. SYTENGCO**
President & Chief Executive Officer	Chief Finance Officer & Treasurer

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	Notes	September 30, 2019 Unaudited	December 31, 2018 Audited
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		P 1,213,101,888	P 1,239,832,036
Trade and other receivables – net	3	945,412,558	924,819,831
Inventories – net		1,080,767,559	1,075,566,518
Prepayments and other current assets	6	1,011,278,146	794,910,028
Total Current Assets		4,250,560,151	4,035,128,413
NON-CURRENT ASSETS			
Investment securities at amortized cost – net	4	243,271,560	244,250,520
Property and equipment – net	7	94,858,657	106,027,904
Investment properties – net	8	940,560,572	944,920,260
Deferred tax assets – net		15,582,582	10,279,345
Investment in associates	5	1,244,786,740	1,256,974,458
Other non-current assets	6	1,476,995,417	778,928,543
Total Non-current Assets		4,016,055,528	3,341,381,030
TOTAL ASSETS		P 8,266,615,679	P 7,376,509,443
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term loans payable	10	P 1,202,674,467	P 1,302,260,460
Trade and other payables	9	163,043,387	27,375,699
Income tax payable		6,773,142	7,307,501
Total Current Liabilities		1,372,490,996	1,336,943,660
NON-CURRENT LIABILITIES			
Loans payable	10	1,200,346,652	1,073,193,028
Deposit for future stock subscription	2	717,315,500	-
Security deposit		8,293,826	5,023,500
Post-employment defined benefit obligation		5,626,740	5,626,740
Total Non-current Liabilities		1,931,582,718	1,083,843,268
Total Liabilities		3,304,073,714	2,420,786,928
EQUITY			
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		(2,580,031)	(2,580,031)
Retained earnings	14	1,115,200,941	1,107,167,037
Non-controlling interest		57,126,849	58,341,303
Total Equity		4,962,541,965	4,955,722,515
TOTAL LIABILITIES AND EQUITY		P 8,266,615,679	P 7,376,509,443

See Selected Notes to Condensed Consolidated Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)
UNAUDITED

	Notes	July to September 2019	July to September 2018	January to September 2019	January to September 2018
SALE OF GOODS	12	**P 331,798,970**	P 278,020,384	**P 939,467,253**	P 860,908,504
CONSULTANCY INCOME	12	**25,124,673**	52,244,276	**41,456,546**	58,649,970
		356,923,643	330,264,660	**980,923,799**	919,558,474
COST OF GOODS SOLD		**231,738,626**	200,264,720	**678,393,809**	627,421,043
COST OF SERVICES	12	**2,133,340**	832,054	**6,657,859**	2,690,854
		233,871,966	201,096,774	**685,051,668**	630,111,897
GROSS PROFIT		**123,051,677**	129,167,886	**295,872,131**	289,446,577
OTHER OPERATING INCOME (EXPENSES)					
Other operating expenses	7, 8, 12	**(52,387,757)**	(44,216,263)	**(153,145,627)**	(128,308,895)
Other operating income	11	**942,819**	2,712,508	**2,783,560**	5,218,818
		(51,444,937)	(41,503,755)	**(150,362,067)**	(123,090,077)
OPERATING PROFIT		**71,606,739**	87,664,131	**145,510,064**	166,356,500
FINANCE COSTS - NET	4, 9, 10	**(27,514,284)**	(50,055,863)	**(72,019,922)**	(79,129,725)
GAIN ON SALE OF INVESTMENT PROPERTIES	8	**-**	-	**-**	1,029,750
EQUITY IN NET LOSSES OF ASSOCIATES	5	**(4,050,299)**	(14,739,726)	**(12,517,718)**	(38,840,572)
PROFIT BEFORE TAX		**40,042,156**	22,868,542	**60,972,424**	49,415,953
TAX EXPENSE		**11,486,361**	13,596,967	**20,052,974**	16,954,257
NET PROFIT		**28,555,795**	9,271,575	**40,919,450**	32,461,696
OTHER COMPREHENSIVE INCOME		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME		**P 28,555,795**	P 9,271,575	**P 40,919,450**	P 32,461,696
EARNINGS PER SHARE - Basic and Diluted	14	**P 0.018**	P 0.006	**P 0.026**	P 0.021

See Selected Notes to Condensed Consolidated Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)
UNAUDITED

	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Retained Earnings (see Note 14)		Revaluation Reserves	Total Equity	Non-controlling Interest	Total
			Appropriation	Unappropriated				
Balance at January 1, 2019	P 1,549,999,999	P 2,242,794,207	P -	P 1,107,167,037	(P 2,580,031)	P 4,897,381,212	P 58,341,303	P 4,955,722,515
Cash dividend declaration	-	-	-	(34,100,000)	-	(34,100,000)	-	(34,100,000)
Total comprehensive income for the period	-	-	-	42,133,904	-	42,133,904	(1,214,454)	40,919,450
Balance at September 30, 2019	**P 1,549,999,999**	**P 2,242,794,207**	**P -**	**P 1,115,200,941**	**(P 2,580,031)**	**P 4,905,415,116**	**P 57,126,849**	**P 4,962,541,965**
Balance at January 1, 2018	P 1,549,999,999	P 2,242,794,207	P 200,000,000	P 756,330,629	(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 dividend declaration	-	-	-	(26,350,000)	-	(26,350,000)	-	(26,350,000)
Reversal of appropriation	-	-	(200,000,000)	200,000,000	-	-	-	-
Total comprehensive income for the period	-	-	-	32,950,434	-	32,950,434	(488,738)	32,461,696
Balance at September 30, 2018	P 1,549,999,999	P 2,242,794,207	P -	P 962,931,063	(P 3,490,872)	P 4,752,234,397	P 59,232,198	P 4,811,466,595

See Selected Notes to Condensed Consolidated Financial Statements.

SBS PHILIPPINES CORPORATION AND SUBSIDIARIES
(A Subsidiary of Anesy Holdings Corporation)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)
UNAUDITED

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax		**P 60,972,424**	P 49,415,953
Adjustments for:			
Interest expense	9, 10	**77,942,180**	113,015,276
Depreciation and amortization	7, 8	**15,770,247**	3,594,025
Equity in net loss of associates	5	**12,517,718**	38,840,572
Interest income	4	**(11,312,778)**	(23,569,024)
Unrealized foreign exchange gains - net		**(10,003,648)**	(9,853,252)
Gain on sale of investment properties	8	**-**	(1,029,750)
Gain on sale of financial assets at fair value through profit or loss		**-**	(833,324)
Operating profit before working capital changes		**145,886,143**	169,580,476
Decrease (increase) in trade and other receivables		**(20,592,727)**	1,509,340,547
Decrease (increase) in inventories		**(5,201,041)**	27,017,259
Decrease (increase) in prepayments and other currents assets		**(216,368,117)**	130,389,689
Increase in security deposits		**3,270,326**	-
Increase (decrease) in trade and other payables		**135,667,688**	(37,391,184)
Cash generated from operations		**42,662,272**	1,798,936,787
Cash paid for income taxes		**(20,203,631)**	(12,776,915)
Net Cash From Operating Activities		**22,458,641**	1,786,159,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Advance payments on investment and asset acquisitions	5, 6	**(731,165,000)**	(175,000,000)
Withdrawal of deposit on investment subscription	6	**33,787,500**	-
Interest received		**11,312,778**	23,569,024
Acquisition of computer software	6	**(689,374)**	(4,631,272)
Acquisition of investment in associates	5	**(330,000)**	(251,039,405)
Acquisition of property and equipment	7	**(241,312)**	(1,652,699)
Prepayment on investment subscription		**-**	(1,414,855,200)
Acquisition of investment properties	8	**-**	(243,448,823)
Proceeds from sale of investment properties	8	**-**	3,123,125
Proceeds from sale of financial assets at fair value through profit or loss		**-**	2,225,830
Acquisition of financial assets at fair value through profit or loss		**-**	(1,392,506)
Net Cash Used in Investing Activities		**(687,325,408)**	(2,063,101,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans	10	**795,000,000**	500,000,000
Settlement of loans	10	**(770,000,000)**	(1,230,000,000)
Collection of deposit for future stock susbcription		**717,315,500**	-
Interest paid		**(77,942,180)**	(113,015,276)
Dividends paid	14	**(34,100,000)**	(26,350,000)
Proceeds from issuance of shares to non-controlling interest	14	**-**	54,100,000
Net Cash From (Used in) Financing Activities		**630,273,320**	(815,265,276)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**7,863,299**	9,853,252
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(26,730,148)**	(1,082,354,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,239,832,036**	2,368,102,884
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P 1,213,101,888**	P 1,285,748,806

See Selected Notes to Condensed Consolidated Financial Statements.

SELECTED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these condensed 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 Condensed Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of SBS Philippines Corporation (the Parent Company) and its subsidiaries, SBS Holdings and Enterprises Corporation (SBS Holdings) and Lence Holdings Corporation (LHC), have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). 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 condensed 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 Condensed Consolidated Financial Statements

The condensed consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income or loss in a single condensed consolidated statement of comprehensive income for its condensed consolidated 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 condensed 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 condensed 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 2019 that are Relevant to the Group

A number of new and amended standards and annual improvements became applicable for the current reporting period. Among these changes, the adoption of PFRS 16, *Leases*, resulted in changes in certain accounting policies of the Group. Such changes are presented in Note 1.16. As of September 30, 2019, management is still assessing the impact of PFRS 16 in the Group's condensed consolidated financial statements.

1.3 Basis for Consolidation

The Group's condensed 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 condensed 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 non-controlling 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 non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

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

Under PFRS 9, *Financial Instruments*, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Currently, all of the Group's financial assets are classified as financial assets at amortized cost.

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows (hold to collect); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented in the condensed consolidated statements of financial position as Cash and Cash Equivalents, Trade and Other Receivables, Refundable deposits (included as part of Prepayments and Other Current Assets account) and Investment Securities at Amortized Cost.

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

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

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

b) Impairment of Financial Assets

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

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

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

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

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

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

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

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

c) Derecognition of Financial Assets

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

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 condensed 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(j)].

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) Loans Payable and Security Deposit, 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 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. These are initially recognized at transaction price and subsequently measured at amortized cost. 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 and security deposit 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 condensed 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 condensed 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 wholesale goods and from rendering of consultancy services.

To determine whether to recognize revenue, the Group follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the criteria stated in the next page, in which case it is satisfied over time.

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving the wholesale trade of goods such as chemicals, fertilizers, foodstuffs, agricultural products, feed ingredients, industrial products and medical devices. The Group also enters into transactions where the Group facilitates the execution and consummation of certain transactions involving related parties. The significant judgments used in determining the timing of satisfaction of performance obligation is disclosed in Note 2.1(a).

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue is recognized as the control transfers at a point in time with the customer (i.e., when the goods have been shipped to the customers). Invoices for goods transferred are due upon receipt by the customer.

(b) *Consultancy income* – Revenue is recognized over time in the amount for which the Group is entitled to in exchange for arranging and facilitating certain transactions entered into by related parties.

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 1.20).

1.16 Leases

Beginning January 1, 2019, the Group changed its policies in assessing lease agreements in accordance with PFRS 16, *Leases*, which replaces PAS 17, *Leases*. Presented below are the Group's policies in accounting for its lease agreements under the respective standards:

a) Accounting Policies for Leases in Accordance with PFRS 16 (2019)

The Group assesses that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an asset, the Group assesses whether:

- the contract involves the use of an identified asset, whether explicitly or implicitly, and should be physically distinguishable as an asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,
- the Group has the right to direct the use of the asset. This right is present when the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains lease, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

PFRS 16 also requires lessees to recognize a right-of-use asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. The lease liability is accounted for similarly to a financial liability using the effective interest method. All of the components of the liability are added together and discounted to the extent that they are incurred over the lease term.

To calculate the right-of-use asset, a lessee starts with the initial amount of the lease liability, which is then adjusted for certain amounts to determine the right-of-use asset at initial recognition. These amounts include, but are not limited to, prepaid lease payments and initial direct costs incurred by the lessee. The right-of-use asset is accounted for subsequently similar to a purchased asset which is depreciated or amortized.

However, the new standard provides important reliefs or exemptions for short-term leases and leases of low-value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

b) Accounting Policies for Leases in Accordance with PAS 17 (2018)

i. 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.

ii. 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 fulfilment 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 a zero coupon government bond [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], 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. BVAL provides evaluated prices that are based on market observations from contributed sources.

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. Net 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. Net interest is reported as part of Finance Costs – Net in the condensed consolidated statement of comprehensive income.

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 13, 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 condensed 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 Deposit for Future Subscription

Deposit for future stock subscription refers to the amount of money or property received by the entity with the purpose of applying the same as payment for future issuance of stock.

Based on the requirements of the Securities and Exchange Commission (SEC), deposit for future stock subscription will be classified as part of equity if all of the following criteria are met as at reporting date:

(i) the unissued authorized capital stock is sufficient to cover the deposit

(ii) there is approval from the Board of Directors (BOD) and the stockholders on the proposed increase in authorized capital stock (for which a deposit was received); and,

(iii) the application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any of the foregoing elements are not present, the transaction should be recognized as a liability.

1.25 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 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.

1.26 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 September 30, 2019 and 2018, the Group does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equivalent to the basic earnings per share.

1.27 Events After the End of the Reporting Period

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

2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's condensed consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the condensed 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 condensed consolidated financial statements:

(a) Determination of Timing of Satisfaction of Performance Obligation

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of goods.

The Group also determines that its revenue from rendering of consultancy services shall be recognized over time, i.e., based on percentage completion of the agreed services to be rendered.

(b) Determination of ECL on Trade and Other Receivables, Refundable Deposits and Investment Securities at Amortized Cost

The Group uses a provision matrix to calculate ECL for trade and other receivables and refundable deposits. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

The allowance for impairment of investment securities at amortized cost is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument; in such case, a lifetime ECL for the instrument is recognized. The management has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument.

(c) Evaluation of Business Model Applied in Managing Financial Instruments

Upon adoption of PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(d) Testing of Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payment for principal and interest (SPPI) on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

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

(e) Determination of 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 investee 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.

(f) 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 a business; that is, the Group merely acquired control over the assets of Benesale rather than its business and operations.

(g) Distinction Between 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.

(h) Determination of Short-term or Long-term Lease Agreements (2019)

PFRS 16 requires entities to recognize lease liabilities and right-of-use assets for long-term leases or short-term leases which are expected to be renewed or retained within the foreseeable future.

The Group enters into various lease agreements as lessor for its warehouses with lease terms of one year, subject to renewal. As of September 30, 2019, management deemed that the renewal options will be exercised, but is still currently assessing the length of time for which the leases will be renewed. As such, the Group has not yet recognized the related lease liabilities and right-of-use assets from the lease agreements.

(i) Distinction Between Operating and Finance Lease (2018)

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.

(j) Amortization of 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).

(k) Recognition of Provisions and Contingencies

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

2.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

(b) Estimation of Amounts Involving Sales rebates and Right of Return

The Group's sale of goods has a variable consideration pertaining to right of return given to customers within a specified period. The Group considered the expected value method under provisions of PFRS 15 which better predicts the amounts of consideration it will be required to return and receive involving the customer's right of return.

The Group did not recognize a right to return asset and refund liability as of September 30, 2019 and December 31, 2018 since based on management's experience, such amount is immaterial in relation to the Group's sales level.

(c) Determination of 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 September 30, 2019 and December 31, 2018.

(d) Estimation of Useful Lives of Property and Equipment and Intangible Asset

The Group estimates the useful lives of property and equipment and intangible asset based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible asset 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.

Based on management's assessment as at September 30, 2019 and December 31, 2018, there is no change in the estimated useful lives of the property and equipment and intangible asset during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. The carrying amounts of property and equipment are presented in Note 7.

(e) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 1.18). Though management believes that the assumptions used in the estimation of fair values reflected in the condensed 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 September 30, 2019 and 2018 based on management's assessment.

(f) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 8 to the condensed consolidated financial statements as determined 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. In 2018, the Group engaged the services of professional and independent appraisers applying the relevant valuation methodologies.

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.

(g) Valuation of 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.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax 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 September 30, 2019 and December 31, 2018 will be fully utilized subsequently.

3. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**September 30, 2019**	December 31, 2018
Non-trade receivable	12.7	**P 641,060,000**	P 775,000,000
Trade receivables	12.1, 12.4	**181,614,230**	147,386,992
Due from an associate	12.2	**121,582,574**	31,935
Other receivables		**1,598,769**	2,843,919
		945,855,573	925,262,846
Allowance for impairment	16.2	**(443,015)**	(443,015)
		P 945,412,558	P 924,819,831

Trade receivables are usually due within 30 to 60 days and do not bear any interest.

Non-trade receivable pertains to payments made to a third party in relation to a purchase of a certain property by an associate and will be collected upon consummation of the transaction, which is expected within the year (see Note 12.7). In 2019, the Group received partial payments on these receivables based on the transfer certificate of titles already received by the associate.

Due from an associate includes a deposit made by the Group on behalf of an associate for the purchase of a certain property in 2019 (see Note 12.2). Such amount will be collected from an associate within 12 months upon consummation of the transaction.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were assessed to have ECL using the provisional matrix as determined by management, hence, adequate amounts of allowance for impairment have been recognized (see Note 16.2). However, no additional allowance for credit losses was recognized for the period ended September 30, 2019. For the non-trade receivables, no ECL was recognized as the counterparty is deemed to be of low credit risk based on the current status of the property purchase. Currently, the certificate authorizing registration of the property being purchased is currently in process and is expected to be released within the year.

4. INVESTMENT SECURITIES AT AMORTIZED COST

This account pertains to cumulative, non-voting, class "B" series preferred shares listed in the Philippine Stock Exchange (PSE), which bear fixed interest rate of 5.58% per annum and will mature on November 5, 2024. Prior to maturity date, the Parent Company has the option to redeem the investment beginning November 5, 2019 and on any dividend payment date thereafter.

The Parent Company received interest income amounting to P10.2 million for both periods ended September 30, 2019 and 2018 from the investment. This is presented as part of Interest income under Finance Costs – Net 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 shown below and in the succeeding page.

	Effective % Interest Held	**September 30, 2019**	December 31, 2018
Associates of the Parent Company:			
Lakerfield Phils. Holding Corporation (LPHC)	37.0%	**P 45,164,781**	P 47,921,440
Ayschester Holdings Corporation (AHC)	25.0%	**28,046,856**	29,911,763
I-Bonding Holdings Corporation (IBHC)	17.0%	**8,824,479**	8,867,619
Berny Phils. Holdings Corporation (BPHC)	5.5%	**52,789,564**	52,853,994
Cleon Phils. Holding Corporation (CPHC)	37.3%	**-**	-
Balance forwarded		***P 134,825,680***	*P 139,554,816*

	Effective % Interest Held	September 30, 2019	December 31, 2018
Balance carried forward		***P 134,825,680***	*P 139,554,816*
Associates of SBS Holdings:			
Goldchester Holdings Corporation (GHC)	17.6%	**476,934,621**	477,517,058
Mansfield Holdings Corp. (MPHC)	17.0%	**114,090,050**	115,541,703
Joune Holding Limited (JoHC)	5.0%	**90,588,235**	90,588,235
Berny Philippines Holdings Corporation (BPHC)	17.5%	**168,842,310**	169,111,745
Smyte Phils. Holdings Corporation (SPHC)	29.0%	**51,077,686**	51,467,774
Aresa Holdings Corp. (ARHC)	17.0%	**45,123,784**	46,480,358
Scott Holdings Corp. (SHC)	17.5%	**46,100,250**	46,161,837
Joine Holdings Corp. (JHC)	22.0%	**27,153,583**	27,321,078
Justfields Holdings Corporation (JuHC)	29.0%	**23,712,833**	23,760,932
Icare Holdings Corporation (CHC)	25.0%	**21,755,638**	20,458,019
Milia Holdings Corporation (MHC)	29.0%	**10,629,486**	10,629,820
Apschester Holdings Corporation (APHC)	22.0%	**5,386,676**	7,457,403
Syner Holdings Corporation (SyHC)	22.0%	**8,521,464**	8,198,877
Urman Holdings Corporation (UHC)	22.0%	**8,393,607**	8,429,460
Morechester Phils. Inc. (MPI)	17.0%	**6,139,325**	6,271,214
Namia Holdings Corporation (NHC)	22.0%	**-**	1,689,657
Aspar Holdings Corporation (ArHC)	22.0%	**3,641,270**	3,673,369
Asida Holdings Corporation (AsHC)	17.0%	**837,449**	1,621,232
Couts Holdings Corporation (CHC)	17.0%	**-**	-
Ineda Holdings Corporation (IHC)	17.0%	**1,032,793**	1,039,871
		P1,244,786,740	P 1,256,974,458

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 September 30, 2019 and 2018, the Group recognized its share in the net losses of the associate companies totaling to P12.5 million and P38.8 million, respectively, and are presented as Equity in Net Losses of Associates in the condensed consolidated statements of comprehensive income.

A reconciliation of the carrying amounts of investments in associates at the beginning and end of September 30, 2019 and December 31, 2018 is reported as follows:

	September 30, 2019	December 31, 2018
Balance at beginning of year	**P1,256,974,458**	P 915,622,090
Additions	**330,000**	243,804,434
Equity in net income (losses)	**(12,517,718)**	97,547,934
	P1,244,786,740	P1,256,974,458

In 2018, the Group 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 below and in the succeeding page.

	Assets	**Liabilities**	**Expenses**	**Net Loss (Profit)**
September 30, 2019:				
IBHC	P 135,131,961	P 82,961,341	P 253,971	P 841,010
SPHC	1,559,721,984	1,382,433,075	1,345,427	1,345,130
JHC	457,697,991	344,142,978	767,608	761,339
JuHC	425,452,435	342,760,348	175,928	165,860
ICHC	104,951,671	19,334,497	5,046,904	(5,190,476)
MHC	200,534,930	164,000,726	124,706	1,151
UHC	185,468,095	157,044,635	163,238	162,969
SyHC	202,314,687	164,861,079	36,368	33,697
ArHC	154,399,109	137,756,935	146,210	145,906
NHC	346,881,892	350,807,595	16,898,838	16,896,841
IHC	25,553,263	20,187,659	43,779	41,635
CHC	1,545,136,819	1,583,444,021	35,219,326	35,211,624
LPHC	329,250,345	198,161,521	7,450,430	6,075,856
CPHC	2,242,865,160	2,300,457,168	107,561,059	75,281,483
AHC	310,923,180	188,681,072	7,459,628	8,021,097
MFHC	869,842,852	220,054,869	8,540,090	8,539,135
ARHC	400,721,612	131,623,927	7,985,316	7,979,849
SHC	288,553,205	25,665,306	352,462	351,926
APHC	364,565,773	340,782,299	9,413,305	9,412,396
MPI	162,963,642	134,415,953	599,645	599,495
ASHC	179,710,743	183,031,209	4,598,480	4,598,191
GHC	1,862,757,131	1,897,040,141	3,301,539	3,300,477
BPHC	947,913,111	28,201,435	1,172,644	1,171,455
December 31, 2018:				
IBHC	P 135,572,181	P 82,560,551	P 195,440	P 194,390
SPHC	1,593,724,399	1,415,090,360	3,774,727	3,748,379
JHC	466,289,306	342,045,954	176,128	151,528
JuHC	113,597,136	3,078,989	3,078,989	3,065,750
ICHC	108,865,180	27,281,066	4,239,382	(4,891,502)
MHC	36,659,595	1,836	10,685	8,242
UHC	185,433,773	156,847,343	69,012	68,622
SyHC	37,487,305	-	732,421	732,421
ArHC	154,341,374	137,553,294	303,165	302,870
NHC	387,812,835	380,000,545	17,187,710	17,187,710
IHC	5,409,892	2,654	134,494	133,110
CHC	455,236,791	454,882,369	12,719,576	12,719,576
LPHC	384,072,099	250,161,111	10,844,458	10,844,458
CPHC	2,282,142,600	2,264,453,125	139,333,895	139,333,895

	Assets	Liabilities	Expenses	Net Loss (Profit)
December 31, 2018:				
AHC	380,279,586	250,016,381	12,846,419	12,846,419
MFHC	893,486,723	235,159,605	823,679	11,270,593
ARHC	450,489,050	177,911,257	12,236,046	12,178,254
SHC	288,856,706	25,617,017	499,754	499,173
APHC	364,570,861	331,374,991	11,624,284	11,624,284
MPI	176,567,643	148,331,779	588,184	585,537
ASHC	179,379,642	131,122,488	6,781,597	7,749,697
GHC	1,862,823,396	1,893,805,929	4,859,094	4,854,853
BPHC	954,039,048	27,119,062	21,419,167	(724,064,537)

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. On July 10, 2019, Benesale received approval from Bureau of Internal Revenue to change its registered address and principal place of business from 24th Floor Net Lima Building, 5th Avanue corner 26th Street, Bonifacio Global City, Taguig to 10 Miller St. Brgy. Bungad San Francisco del Monte, Quezon City.

As of September 30, 2019 and December 31 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 accounted by the Group as an asset acquisition since the transaction does not constitute an acquisition of a business.

The entire purchase price of P175.0 million is included as Land under Investment Properties (see Note 8).

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	**September 30, 2019**	December 31, 2018
Current assets:			
Refundable deposits	12.3, 12.5	**P 813,989,830**	P 547,712,294
Prepaid expenses		**107,558,423**	145,888,738
Input VAT		**83,844,299**	101,308,996
Creditable withholding tax		**5,885,594**	-
Balance forwarded		***P 1,011,278,146***	*P 794,910,028*

	September 30, 2019	December 31, 2018
Balance carried forward	***P 1,011,278,146***	*P 794,910,028*
Non-current assets:		
Advances for asset acquisition	**665,525,000**	601,547,500
Investment subscriptions	**804,667,700**	171,267,700
Computer software	**6,802,717**	6,113,343
	1,476,995,417	778,928,543
	P2,488,273,563	P 1,573,838,571

Refundable deposits represent amounts paid to the lessor of leased warehouses. These can be applied against unpaid rent or any damages against the leased property (see Note 12.3). It also includes an amount deposited by the Parent Company to a certain related party in relation to a memorandum of agreement executed in 2018 and another agreement in 2019 which may be refunded upon the performance of certain conditions which is expected to be within the current year (see Note 12.5).

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. However, such subscriptions are yet to be completed or executed as of September 30, 2019 and December 31, 2018.

Advances for asset acquisition pertain to advances paid by SBS Holdings and LHC in relation to their respective future purchases of certain investment properties. The amounts advanced will be deducted from the total purchase price of these investment properties.

Computer software pertains to the Enterprise Resource Planning system which the Group intends to employ for use in operations of the Group. Amortization of the computer software will commence once the computer is put into use.

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of September 30, 2019 and December 31, 2018 are shown below and in the succeeding page.

	Leasehold Improvements	**Transportation and Other Equipment**	**Furniture and Fixtures**	**Total**
September 30, 2019				
Cost	P 6,842,022	P 148,864,904	P 7,170,037	P 162,876,963
Accumulated depreciation and amortization	(4,537,367)	(57,876,019)	(5,604,920)	(68,018,306)
Net carrying amount (unaudited)	**P 2,304,655**	**P 90,988,885**	**P 1,565,117**	**P 94,858,657**

	Leasehold Improvements	Transportation and Other Equipment	Furniture and Fixtures	Total
December 31, 2018				
Cost	P 6,842,022	P 148,963,765	P 6,826,192	P 162,631,979
Accumulated depreciation and amortization	(4,142,636)	(47,526,609)	(4,934,830)	(56,604,075)
Net carrying amount (audited)	P 2,699,386	P 101,437,156	P 1,891,362	P 106,027,904
January 1, 2018				
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 (audited)	P 3,231,057	P 17,244,911	P 724,862	P 21,200,830

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, 2019, net of accumulated depreciation and amortization (audited)	P 2,699,386	P 101,437,156	P 1,891,362	P 106,027,904
Additions	-	-	241,312	241,312
Depreciation and amortization charges for the period	(394,731)	(10,448,271)	(567,557)	(11,410,559)
Balance at September 30, 2019, net of accumulated depreciation, and amortization (unaudited)	**P 2,304,655**	**P 90,988,885**	**P 1,565,117**	**P 94,858,657**
Balance at January 1, 2018, net of accumulated depreciation and amortization (audited)	P 3,231,057	P 17,244,911	P 724,862	P 21,200,830
Additions	-	97,774,822	2,022,429	99,797,251
Depreciation and amortization charges for the year	(531,671)	(13,582,577)	(855,929)	(14,970,177)
Balance at December 31, 2018, net of accumulated depreciation and amortization (audited)	P 2,699,386	P 101,437,156	P 1,891,362	P 106,027,904

For the periods ended September 30, 2019 and 2018, depreciation and amortization is presented under Other Operating Expenses account in the condensed consolidated statements of comprehensive income.

As of September 30, 2019 and December 31, 2018 the gross carrying amount of the Group's fully depreciated property and equipment that are still in use is P38.2 million.

8. INVESTMENT PROPERTIES

The Group's investment properties represent parcels of land and building 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.

The gross carrying amounts and accumulated depreciation and amortization of the property and improvement at the beginning and end of September 30, 2019 and December 31, 2018 are shown below.

	Land	Building	Land Improvement	Total
September 30, 2019				
Cost	P 804,925,832	P 138,348,695	P 6,974,240	P 950,248,767
Accumulated depreciation and amortization	-	(9,153,504)	(534,691)	(9,688,195)
Balance at September 30, 2019, net of accumulated depreciation and amortization (unaudited)	**P 804,925,832**	**P 129,195,191**	**P 6,439,549**	**P 940,560,572**
December 31, 2018				
Cost	P 804,925,832	P 138,348,695	P 6,974,240	P 950,248,767
Accumulated depreciation and amortization	-	(5,072,785)	(255,722)	(5,328,507)
Balance at December 31, 2018, net of accumulated depreciation and amortization (audited)	P 804,925,832	P 133,275,910	P 6,718,518	P 944,920,260
Balance and cost at January 1, 2018 (audited)	P 632,019,207	P -	P -	P 632,019,207

A reconciliation of the carrying amount of investment properties at the beginning and end of September 30, 2019 and December 31, 2018 is shown below and in the succeeding page.

	Land	Building	Land Improvement	Total
Balance at January 1, 2019 (audited)	P 804,925,832	P 133,275,910	P 6,718,518	P 944,920,260
Depreciation and amortization charges for the period	-	(4,080,719)	(278,969)	(4,359,688)
Balance at September 30, 2019, net of accumulated depreciation and amortization (unaudited)	**P 804,925,832**	**P 129,195,191**	**P 6,439,549**	**P 940,560,572**

		Land		Building		Land Improvement		Total
Balance at January 1, 2018 (audited)	P	632,019,207	P	-	P	-	P	632,019,207
Additions		175,000,000		138,348,695		6,974,240		320,322,935
Disposals	(	2,093,375)		-		-	(	2,093,375)
Depreciation and amortization charges for the year		-	(	5,072,785)	(	255,722)	(	5,328,507)
Balance at December 31, 2018, net of accumulated depreciation and amortization (audited)	P	804,925,832	P	133,275,910	P	6,718,518	P	944,920,260

The amount of depreciation and amortization is presented as part of Other Operating Expenses in the condensed consolidated statements of comprehensive income.

The real property taxes on investment properties amounted to P1.4 million and P0.9 million as of September 30, 2019, and 2018, and were recognized and reported as part of Taxes and licenses under Other Operating Expenses account in the condensed consolidated statements of comprehensive income.

As determined by independent and SEC-accredited property appraisers, the fair market values of these investment properties as of December 31, 2018 amounted to P4.9 billion. The Group's management believes that the investment properties are not impaired as the fair of these properties as of the end of the reporting periods exceeds their carrying amounts as reported in the consolidated statements of financial position.

In June 2018, the Group sold certain investment properties with carrying amount of P2.1 million for a total consideration of P3.1 million. The resulting gain on sale of investment properties, net of taxes and other direct costs of disposal, amounting to P1.0 million is presented as part of Gain on Sale of Investment Properties in the 2018 consolidated statement of comprehensive income. There was no similar transaction in 2019.

9. TRADE AND OTHER PAYABLES

This account consists of:

	Note		**September 30, 2019**		December 31, 2018
Trust receipts payable		**P**	**140,216,164**	P	11,487,115
Accrued expenses and others			**15,884,220**		11,167,558
Output VAT payable			**2,653,093**		1,822,966
Trade payables	12.1		**2,200,209**		2,898,060
Customer deposit			**2,089,701**		-
		P	**163,043,387**	P	27,375,699

The Group avails of trust receipt facilities with local banks that were used to finance the Group's purchases of inventories. These short-term trust receipts, which are secured by the related inventories whose values equal the amount of outstanding trust receipts, bear interests based on prevailing market interest rates, ranging from 4.0% to 4.25%, and 2.25% to 4.5% in the periods ended September 30, 2019 and December 31, 2018, respectively.

Interest expense incurred on these transactions in the periods ended September 30, 2019 and 2018 amounted to P1.8 million and P2.3 million, respectively, and is presented as part of Interest expense under Finance Costs – Net in the condensed consolidated statements of comprehensive income. There is no unpaid interest as of September 30, 2019 and December 31, 2018.

Accrued expenses and other payables include the 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 September 30, 2019 and December 31, 2018.

	September 30, 2019	December 31, 2018
Current	**P1,202,674,467**	P 1,302,260,460
Non-current	**1,200,346,652**	1,073,193,028
	P 2,403,021,119	P 2,375,453,488

A reconciliation of the movements in the amount of loans payable at the beginning and end of September 30, 2019 and December 31, 2018 is shown below.

	September 30, 2019	December 31, 2018
Balance at beginning of the period	**P2,375,453,488**	P 2,522,029,980
Availments during the period	**795,000,000**	1,300,000,000
Amortization of debt issue cost	**2,567,631**	3,423,508
Settlements made	**(770,000,000)**	(1,450,000,000)
	P 2,403,021,119	P 2,375,453,488

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 4.25% to 6.0% for the periods ended September 30, 2019 and 2.5% to 5.66% for 2018, and the proceeds from which were used for working capital requirements.

Interest expense incurred on these loans for the periods ended September 30, 2019 and 2018 amounted to P76.1 million and P109.8 million, respectively, and is presented as part of Interest expense under Finance Costs – Net in the condensed consolidated statements of comprehensive income. There was no unpaid interest as of September 30, 2019 and December 31, 2018.

The details of the non-current loans payable are as follows:

	September 30, 2019	December 31, 2018
Balance at beginning of period, net of debt issuance costs	**P1,073,193,028**	P 1,957,029,980
Reversal to non-current portion	**202,260,460**	-
Reclassification of current portion	**(77,674,467)**	(202,260,460)
Amortization of debt issue cost	**2,567,631**	3,423,508
Settlement during the period	**-**	(685,000,000)
Balance at end of year	**P1,200,346,652**	P 1,073,193,028

Other outstanding short-term loans as of September 30, 2019 and 2018 were availed using the Parent Company's credit line facility wherein no collateral is needed.

The reversal of a certain portion of the loans from current to non-current payable resulted from the revision of the amortization schedule issued by the bank.

11. OTHER OPERATING INCOME

Other operating income pertain to fees received from non-compete and non-obstruction agreement and other miscellaneous income. It also includes revenues from services rendered to certain related parties (see Note 12.4). The other operating in 2019 and 2018 amounted to P2.8 million and P5.2 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.

Related Party Category	Note	Amount of Transactions: **September 30, 2019**	Amount of Transactions: September 30, 2018	Receivables (Payables): **September 30, 2019**	Receivables (Payables): December 31, 2018
Stockholders –					
Lease agreements	12.3	**P 1,898,438**	P 1,898,438	P **-**	P -
Related Parties Under Common Ownership:					
Lease agreements	12.3	**20,463,936**	19,722,241	**-**	-
Refundable deposit	12.3	**-**	-	**8,675,786**	8,675,786
Purchase of goods	12.1	**711,250**	449,886	**-**	(147,000)
Sale of goods	12.1	**-**	23,384	**-**	4,963,250
Associates:					
Refundable deposit	12.5	**266,000,000**	-	**800,036,506**	534,036,506
Advances for investment property purchase	12.7	**(133,940,000)**	-	**641,060,000**	775,000,000
Due from associates	12.2	**120,000,000**	100,000,000	**121,582,574**	31,935
Lease agreements		**9,603,900**	9,603,900	**-**	-
Shared business and management services	12.4	**17,780,357**	41,414,285	**16,517,857**	-
Equity investment in associates		**330,000**	251,039,405	**1,244,786,740**	1,256,974,458
Key Management Personnel –					
Fees paid	12.6	**8,717,636**	7,021,821	**-**	-

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 September 30, 2019 and December 31, 2018.

12.1 Purchase and Sale of Goods

For the period ended September 30, 2018, 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 as of December 31, 2018 is presented as part of Trade receivables under Trade and Other Receivables in the condensed consolidated statements of financial position (see Note 3). There is no sale transaction nor any outstanding receivable as of and for the period ended September 30, 2019.

For the periods ended September 30, 2019 and 2018, the Group purchased goods from BIC which is presented as part of Cost of Sales account in the condensed consolidated statement of comprehensive income. The outstanding balance arising from this transaction as of December 31, 2018, which is noninterest-bearing, unsecured and with 30-day credit terms is reported as part of Trade payables under the Trade and Other Payables account in the 2018 condensed consolidated statement of financial position (see Note 9). There is no outstanding balance arising from this transaction as of September 30, 2019.

12.2 Due from Associates

In 2019, the Group made partial deposits on behalf of certain associates for the purchase of properties. The outstanding receivable as of September 30, 2019 is presented as Due from associates under Trade and Other Receivables in the 2019 condensed consolidated statement of financial position (see Note 3). This transaction is yet to be completed.

In 2018, the Group made a partial deposit on behalf of UHC for the purchase of certain property. This transaction had been completed in 2018.

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 Philippines Holdings Corporation, Aneco Philippines Holdings Corp, Icare Holdings Corporation, corporations under common ownership of the Sytengco family.

Rental expense for the periods ended September 30, 2019 and 2018 arising from these lease agreements is shown under Other Operating Expenses in the condensed consolidated statements of comprehensive income. There were no outstanding rentals as of September 30, 2019 and December 31, 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).

No lease liability and right-of-use asset was recognized as of September 30, 2019 since the Group is still currently assessing the length of time for which the leases will be renewed.

12.4 Shared Business and Management Services

SBS Holdings entered into a consultancy service agreement with certain related parties 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 outstanding receivable as of September 30, 2019 amounting P16.5 million is presented as part of Trade receivables under Trade and Other Receivables in the 2019 condensed consolidated statement of financial position (see Note 3). There was no outstanding balance as of December 31, 2018 .

The Group 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 Other Operating Income in the condensed consolidated statements of comprehensive income. There was no outstanding balance as of September 30, 2019 and December 31, 2018.

12.5 Memorandum of Agreement

In 2018, the Group entered into a memorandum of agreement with SPHC, an associate of SBS Holdings, wherein the Parent Company will assist in gathering investors to cover SPHC's increase in capitalization. As part of the agreement, SPHC also used its property as mortgage substitution to continue securing one of the Group's loan. The related performance deposit amounting to P500.0 million is presented as part of Refundable deposits under Prepayment and Other Current Assets in the condensed consolidated statements of financial position (see Note 6) and will be refunded once the Parent Company has already gathered the investors. The transaction is expected to be consummated in 2019.

In 2019, the Group entered into a memorandum of agreement with GHC, an associate of SBS Holdings, wherein the Parent Company will assist in gathering investors to cover GHC's increase in capitalization. The related performance deposit amounting to P300.0 million is presented as part of Refundable deposits under Prepayment and Other Current Assets in the condensed consolidated statements of financial position (see Note 6) and will be refunded once the Parent Company has already gathered the investors. The transaction is expected to be consummated within 12 months of the agreement.

12.6 Key Management Personnel

Payments received by key management personnel pertain to service fees for the periods ended September 30, 2019 and 2018, 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. There was no outstanding balance as of September 30, 2019 and December 31, 2018.

12.7 Others

In 2018, the Group made certain advance payments to a third party on behalf of an associate, representing transaction costs incurred for the associate's purchase of certain property owned by the third party. These costs, amounting to P775.0 million shall be reimbursed in full to the Group upon completion of the transaction. The amount of outstanding receivable is presented as Non-trade receivable under Trade and Other Receivables in the condensed consolidated statements of financial position (see Note 3). Partial payments were received by the Group, with the transaction yet to be completed as of September 30, 2019.

On November 11, 2017, SBS Holdings was granted a full right of usufruct over the real estate property of JHC. The usufruct includes collections of fees or service charges from third party tenants for the purpose of upkeep, maintenance, operation and management of such property.

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 two main revenue sources, which represent the products and services provided by the Group, namely Sale of Goods and Consultancy Income.

13.2 Analysis of Segment Information

The table below and in the succeeding page presents revenue and profit information regarding business segments of the Group for the periods ended September 30, 2019 and 2018.

	Sale of Goods	Consultancy Income	Total
September 30, 2019			
Revenues	P 939,467,253	P 41,456,546	P 980,923,799
Cost	678,393,809	6,657,859	685,051,668
	261,073,444	34,798,687	295,872,131
Other operating expenses:			
Rental expense	34,256,830	-	34,256,830
Salaries and wages	30,934,922	-	30,934,922
Outside services	8,263,069	-	8,263,069
Transportation and travel	5,271,354	-	5,271,354
Insurance	5,765,901	-	5,765,901
Advertising and promotions	1,634,190	-	1,634,190
Commission	355,848	-	355,848
	86,482,114	-	86,482,114
Segment profit before depreciation and amortization	**P 174,591,330**	**P 34,798,687**	**P 209,390,017**
September 30, 2018			
Revenues	P 860,908,504	P 58,649,970	P 919,558,474
Cost	627,421,043	2,690,854	630,111,897
Balance forwarded	*P 233,487,461*	*P 55,959,116*	*P 289,446,577*

September 30, 2018

Balance carried forward	*P 233,487,461*	*P 55,959,116*	*P 289,446,577*
Other operating expenses:			
Rental expense	31,224,579	-	31,224,579
Salaries and wages	17,494,893	-	17,494,893
Outside services	5,136,744	-	5,136,744
Transportation and travel	17,662,953	-	17,662,953
Insurance	4,858,245	-	4,858,245
Advertising and promotions	137,337	-	137,337
Commission	198,634	-	198,634
	76,713,385	-	76,713,385
Segment profit before depreciation and amortization	P 156,774,076	P 55,959,116	P 212,733,192

Presented below is the Group's reconciliation of the components of reportable segments to the condensed consolidated statements of comprehensive income.

	2019	2018
Revenues –		
Total revenue of reportable segments	**P 980,923,799**	P 919,558,474
Costs and expenses:		
Total costs and expenses of reportable segments	**771,533,782**	706,825,282
Other costs and expenses from non-reportable segments	**50,893,266**	48,001,485
Depreciation and amortization	**15,770,247**	3,594,025
	838,197,295	758,420,792
Other operating income	**2,783,560**	5,218,818
Gain on disposal of investment properties	**-**	1,029,750
Finance costs – Net	**72,019,922**	79,129,725
Equity in net losses of associates	**12,517,718**	38,840,572
Profit before tax	**P 60,972,424**	P 49,415,953

The results of operations from the 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	
	2019	2018	**2019**	2018
Authorized - P1 par value	**1,550,000,000**	1,550,000,000	**P 1,550,000,000**	P 1,550,000,000
Subscribed, issued, outstanding at the end of the 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 September 30, 2019 and as of December 31, 2018.

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 September 30, 2019, the total number of registered stockholders based on the records of the Group's Stock and Transfer Agent is seven. Such listed shares closed at P9.12 per share as of September 30, 2019 (the last trading day in 3rd quarter of 2019).

14.2 Retained Earnings

On March 29, 2019, the Parent Company approved the declaration of cash dividend of P0.022 per share, totalling P34.1 million to all shareholders as of record date of May 10, 2019, and paid on May 22, 2019.

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 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 September 30, 2019 and December 31, 2018, the Group has no outstanding treasury shares due to the reissuance of treasury shares in previous years.

14.3 Earnings per Share

Basic earnings per share are computed as follows:

	2019	2018
Income available to common shares	**P 40,919,450**	P 32,461,696
Divided by the weighted average number of outstanding common shares	**1,549,999,999**	1,549,999,999
	P 0.026	P 0.021

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 with terms of one year and are renewable annually subject to price changes (see Note 12.3). The future minimum lease payable within one year under these non-cancellable operating leases amounted to P12.5 million and P42.7 million as of September 30, 2019 and December 31, 2018.

Management deemed that the option to renew the lease terms will be exercised for the foreseeable future. However, management is still currently assessing for how long the lease terms will be renewed. As such as of September 30, 2019, the Group is yet to recognize the related lease liabilities and right-of-use assets from the leases. Accordingly, expenses related to these agreements are shown as Rentals under Other Operating Expenses in the condensed consolidated statements of comprehensive income.

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 condensed consolidated financial statements. As of September 30, 2019 and 2018, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's condensed 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 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 September 30, 2019 and December 31, 2018, 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. For the loans payable, the banks reprise the interest rates on the short-term loans on a 90-day cycle, while the interest rates on long-term loans are fixed.

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 condensed consolidated financial statements as shown below.

	Notes	**September 30, 2019**	December 31, 2018
Cash and cash equivalents		**P 1,213,101,888**	P 1,239,832,036
Trade and other receivables	3	**945,412,558**	924,819,831
Investment securities at			
Amortized cost - net	4	**243,271,560**	244,250,520
Refundable deposit	6	**813,989,830**	547,712,294
		P 3,215,775,836	P 2,956,614,681

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 Republic Act No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

(b) Trade and Other Receivables and Refundable deposits

The Group applies PFRS 9's simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on days past due. The expected loss rates are based on the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Accordingly, the Group recognized loss allowance equivalent to 0.4% of outstanding trade receivables as the collection is expected to be within the next 12 months based on the current status of the related transactions.

The Group's trade receivables are actively monitored to avoid significant concentrations of credit risk.

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 September 30, 2019 and December 31, 2018, the Group's financial liabilities have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
September 30, 2019:			
Trade and other payables	P 159,614,723	P -	P -
Security deposit	-	-	8,293,826
Loans payable	1,158,564,652	109,221,133	1,262,752,707
	P 1,321,608,039	**P 109,221,133**	**P 1,271,046,533**
December 31, 2018:			
Trade and other payables	P 25,088,382	P -	P -
Security deposit	-	-	5,023,500
Loans payable	709,114,863	664,078,165	1,496,309,726
	P 734,203,245	P 664,078,165	P 1,501,333,226

The contractual maturities shown in the previous page 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 September 30, 2019 and December 31, 2018 is presented below.

	September 30, 2019	December 31, 2018
Liabilities	**P 3,304,073,714**	P 2,420,786,928
Equity	**4,962,541,965**	4,955,722,515
Debt-to-equity ratio	**0.67 : 1.00**	0.49 : 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.

	Notes	September 30, 2019 Carrying Amounts	September 30, 2019 Fair Values	December 31, 2018 Carrying Amounts	December 31, 2018 Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents		**P 1,213,101,888**	**P 1,213,101,888**	P 1,239,832,036	P1,239,832,036
Trade and other receivables	3	**945,412,558**	**945,412,558**	924,819,831	924,819,831
Refundable deposits	6	**813,989,830**	**813,989,830**	547,712,294	547,712,294
		2,972,504,276	**2,972,504,276**	2,712,364,161	2,712,364,161
Investment securities at Amortized cost - net	4	**243,271,560**	**247,187,400**	244,250,520	244,250,520
		P 3,215,775,836	**P 3,219,691,676**	P 2,956,614,681	P2,956,614,681
Financial liabilities					
Financial liabilities at amortized cost:					
Loans payable	10	**P 2,403,021,119**	**P 2,530,538,492**	P 2,375,453,488	P2,469,502,754
Trade and other payables	9	**159,614,723**	**159,614,723**	25,088,382	25,088,382
Security deposit		**8,293,826**	**8,254,972**	5,023,500	5,057,345
		P 2,570,929,668	**P 2,698,408,187**	P 2,405,565,370	P2,499,648,481

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 September 30, 2019 and December 31, 2018 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.

19.2 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 September 30, 2019 and December 31, 2018 condensed consolidated statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
September 30, 2019				
Financial assets:				
Cash and cash equivalents	P1,213,101,888	P -	P -	P 1,213,101,888
Trade and other receivables	-	-	945,412,558	945,412,558
Investment securities at amortized cost - net	-	247,187,400	-	247,187,400
Refundable deposits	-	-	813,989,830	813,989,830
	P 1,213,101,888	**P 247,187,400**	**P1,759,402,388**	**P3,219,691,676**
Financial liabilities:				
Trade and other payables	P -	P -	P 159,614,723	P 159,614,723
Security deposit	-	-	8,254,972	8,254,972
Loans payable	-	-	2,530,538,492	2,530,538,492
	P -	**P -**	**P2,698,408,187**	**P2,698,408,187**
December 31, 2018				
Financial assets:				
Cash and cash equivalents	P1,239,832,036	P -	P -	P 1,239,832,036
Trade and other receivables	-	-	924,819,831	924,819,831
Refundable deposits			547,712,294	547,712,294
Investment securities at amortized cost - net	-	-	244,250,520	244,250,520
	P 1,239,832,036	P -	P1,716,782,645	P 2,956,614,681
Financial liabilities:				
Loans payable	P -	P -	P2,469,502,754	P 2,469,502,754
Trade and other payables	-	-	25,088,382	25,088,382
Security deposit	-	-	5,057,345	5,057,345
	P -	P -	P 2,499,648,481	P2,499,648,481

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

As of September 30, 2019 and December 31, 2018, the fair value of investment securities at amortized cost were based on the last transaction price nearest to (either prior or subsequent to) report date. This valuation technique is set out in PFRS 13 as Level 2 inputs.

19.3 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 September 30, 2019 and December 31, 2018 classified as Level 2 based on the appraisal report obtained in 2018 amounted to P4.9 billion (see Note 8).

20. EVENTS AFTER THE END OF THE PERIOD

On October 18, 2019, the Parent Company sold minor investment properties consisting of condominium units and parking slot to third parties for total transaction value of P7.1 million.