

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



- 1. For the quarterly period ended September 30, 2016
- 2. Commission identification number PW-225
- 3. BIR Tax Identification No 000-477-902
- 3. Exact name of issuer as specified in its charter GLOBALPORT 900, INC.
- 4. Metro Manila, Philippines
Province, Country or other jurisdiction of incorporation or organization
- 5. _____ (SEC Use Only)
Industry Classification Code:
- 6. Unit 2701 One Corporate Centre, Meralco Ave. cor. Julia Vargas Ave. Ortigas Center, Pasig City
Address of principal office
- 1605
Postal Code
- 7. (632) 86378851
Issuer's telephone number, including area code

8. N/A
Former name, former address and former fiscal year, if changed since last report

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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stocks Outstanding</u>
Common Shares	2,324,798,500

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

Yes [x] No []

11. Indicate by check mark whether the registrant:

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

Yes [x] No []

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

Yes [x] No []

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

GENERAL INSTRUCTIONS

(a) Use of Form 17-Q

This SEC Form 17-Q shall be used for quarterly reports under Section 17 of the Code, filed pursuant to paragraph (2)(b) of SRC Rule 17 thereunder and shall be filed within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within 45 calendar days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later. No report need be filed for the fourth quarter of any fiscal year.

(b) Application of SRC Rule 72.1: Requirements for Filing Forms

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission. SRC Rule 68 contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

(c) Preparation of Report

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions should also be omitted.

(d) Incorporation by Reference

In accordance with the provisions of SRC Rule 12-2, if the issuer makes available to its stockholders or otherwise publishes, within the period prescribed for filing the report, a document or statement containing information meeting some or all of the requirements of Part I of this Form, the information called for may be incorporated by reference from such published document or statement, in answer or partial answer to any item or items of Part I of this Form, provided copies thereof are filed as an exhibit to Part I, and all information called for in this Form is supplied.

(e) Integrated Reports to Security Holders

Quarterly reports to security holders may be combined with the required information of Form 17-Q and will be suitable for filing with the Commission if the combined report contains full and complete answers to all items required by this Form. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made.

(f) Signature and Filing of Report

(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, shall, if any class of the issuer's securities are listed in a stock exchange, be filed with that Exchange.

- (2) At least one complete copy of the report filed with the Commission and, when applicable, one copy filed with the Exchange shall be manually signed on the issuer's behalf by a duly authorized officer of the issuer and by the principal financial or chief accounting officer of the issuer. Copies not manually signed shall bear typed or printed signatures. In the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the issuer, one signature is acceptable provided the issuer clearly indicates the dual responsibilities of the signatory. See also paragraph (2) and (3) of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language, and pagination.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2016
2. Commission identification number PW-225 3. BIR Tax Identification No 000-477-902
3. Exact name of issuer as specified in its charter GLOBALPORT900, INC.
4. Metro Manila, Philippines 5. _____ (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
6. Unit 1701 One Corporate Centre, Meralco Ave. cor.
Julia Vargas Ave. Ortigas Center, Pasig City 1605
Address of principal office Postal Code
7. (632)86378851
Issuer's telephone number, including area code

8. N/A
Former name, former address and former fiscal year, if changed since last report

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Yes No

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(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

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- Unaudited Consolidated Statement of Changes in Equity for the First Quarter ended September 30, 2016 and 2015
- Unaudited Consolidated Statements of Cash Flows for the First Quarter Ended September 30, 2016 and 2015
- Notes to Interim Consolidated Financial Statements

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

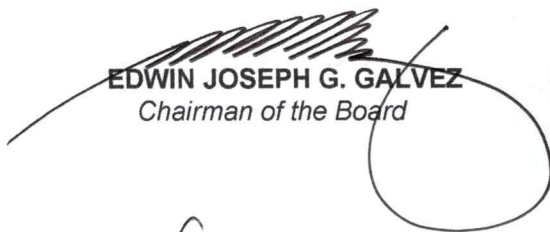
PART 2 – OTHER INFORMATION

No contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor there are estimates of amounts reported in prior interim periods or of the current financial year that have material effect on the foregoing financial statements.

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.

Issuer: **GLOBALPORT 900, INC.**


EDWIN JOSEPH G. GALVEZ
Chairman of the Board


FREDERICK M. AREJOLA
Treasurer

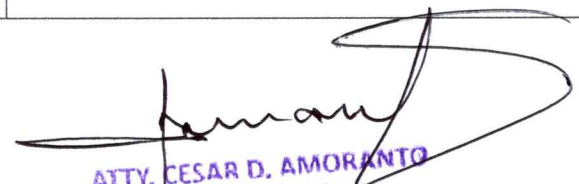

AGNES H. MARANAN
Corporate Secretary

JAN 28 2021 PASIG CITY

SUBSCRIBED AND SWORN to before this _____ day of _____, affiant(s). Exhibiting to me their valid identifications, as follows:

NAMES	IDENTIFICATION INFORMATION
Edwin Joseph G. Galvez	Driver's License ID No. N02-85-035946
Frederick M. Arejola	Driver's License ID No. N02-98-363765
Agnes H. Maranan	Passport No. P3203105A

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 Page No. 40
 Book No. 188
 Series of 2021


ATTY. CESAR D. AMORANTO
 Notary Public
 Pasig, San Juan, Pateros, M.M.
 Until December 31, 2022
 686 B Shaw Blvd. Kapitolyo, Pasig City
 PFR No. 5242795 Jan. 4, 2021
 IBP No. 131122 Oct. 23, 2020 Roll No. 6637.
 MCLE EXEMPT - Unit April 14, 2022
 Appointment No. 18 (2021-2022)

GLOBALPORT 900, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2016 and December 31, 2015

(In Philippine Peso)

	Notes	September 30, 2016	December 31, 2015
ASSETS			
Current Assets			
Cash	8	1,164,428	1,308,484
Trade and other receivables	9	602,041	666,006
Advances to related parties	7	51,486,560	56,036,537
Prepayments and other current assets	10	2,514,135	2,282,866
Total Current Assets		55,767,165	60,293,893
Non-Current Assets			
Investment in stocks	11	195,000,000	195,000,000
Property and equipment – net	12	24,872	99,486
Deferred tax assets		51,291	51,291
Total Non-Current Assets		195,076,163	195,150,777
TOTAL ASSETS		250,843,327	255,444,670
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	102,074,875	111,200,016
Advances from related parties	7	46,715,372	10,103,238
Total Liabilities		148,790,247	121,303,254
Equity			
Share capital	14	2,156,250,000	2,156,250,000
Additional paid-in-capital	14	268,309	268,309
Treasury shares	14	(595,111)	(595,111)
Deficit		(2,059,496,443)	(2,027,875,329)
Equity attributable to the equity holders of the Parent		96,426,755	128,047,869
Non-controlling interests	3	5,626,325	6,093,547
Total Equity		102,053,080	134,141,416
TOTAL LIABILITIES AND EQUITY		250,843,327	255,444,670

See Notes to Consolidated Financial Statements.

GLOBALPORT 900, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
For the period September 30, 2016 and September 30, 2015
(In Philippine Peso)

	Notes	September 30, 2016 Current Year (3 months)	September 30, 2015 Previous Year (3 months)	September 30, 2016 Current Year to date	September 30, 2015 Current year to date
Revenue	15	1,099,999	-	3,064,285	-
Cost of services	16	(2,052,387)	-	(5,717,364)	-
Gross profit		(952,387)	-	(2,653,079)	-
General and administrative expenses	17	(10,566,565)	(4,941,911)	(29,435,433)	(13,766,753)
Impairment loss	19	-	-	-	-
Interest income	8	63	512	176	1,426
Loss for the year		(11,518,890)	(4,941,400)	(32,088,336)	(13,765,328)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE LOSS		(11,518,890)	(4,941,400)	(32,088,336)	(13,765,328)
Comprehensive income attributable to:					
Equity holders of the Parent		(11,351,169)	(4,939,115)	(31,621,114)	(13,758,961)
Non-controlling interests	3	(167,721)	(2,285)	(467,222)	(6,367)
BASIC/DILUTED LOSS PER SHARE		(0.0050)	(0.0021)	(0.013)	(0.0059)

See Notes to Consolidated Financial Statements.

GLOBALPORT 900, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
As of September 30, 2016 and 2015
(In Philippine Peso)

	Attributable to equity holder of the parent				Non-controlling Interests — Note 3	Total
	Share capital — Note 14	Additional paid-in capital — Note 14	Treasury shares — Note 14	Deficit		
Balance at January 1, 2015	2,156,250,000	268,309	(595,111)	(1,993,125,973)	6,755,401	169,552,626
Total comprehensive loss, as restated	—	—	—	(34,749,750)	(661,861)	(35,411,611)
Balance at September 30, 2015	—	—	—	(2,027,875,723)	6,093,540	134,141,015
Balance at December 31, 2015	2,156,250,000	268,309	(595,111)	(2,027,875,329)	6,093,540	134,141,416
Total comprehensive loss	—	—	—	(31,621,114)	(467,222)	(20,569,446)
Balance at September 30, 2016	2,156,250,000	268,309	(595,111)	(2,059,496,443)	5,626,325	113,571,970

See Notes to Consolidated Financial Statements.

GLOBALPORT 900, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the period January 1 to September 30, 2016 and January 1 to September 30, 2015

(In Philippine Peso)

	Notes	September 30,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(31,621,114)	(13,765,328)
Adjustments for:			
Depreciation	12	74,615	67,046
Impairment losses	19	—	—
Retirement benefits	20	—	—
Advertising and promotion	7, 17	—	—
Interest income	8	(176)	(512)
Operating loss before working capital changes		(31,546,676)	(4,874,865)
Decrease (increase) in operating assets:			
Trade and other receivables	9	63,965	2,417,473
Prepayments and other current assets	10	(123,554)	(119,751)
Increase (decrease) in operating liability:			
Trade and other payables	13	(9,125,141)	388,408
Cash used in operations		(40,731,407)	(2,188,734)
Income tax paid		—	—
Interest received	8	176	512
Net cash used in operating activities		(40,731,231)	(2,188,223)
CASH FLOWS FROM INVESTING ACTIVITY			
Collection from advances to related parties	7	—	—
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash advances from related party	7	40,612,915	1,940,401
Payments made to advances from related party	7	(25,740)	283,264
Net cash generated from financing activities		40,587,175	2,223,666
NET INCREASE IN CASH		(144,056)	35,442
CASH AT BEGINNING OF YEAR	8	1,308,484	1,245,194
CASH AT END OF YEAR	8	1,164,428	1,280,637

See Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

Group Profile

GLOBALPORT 900, INC. (herein referred to as "the Parent Company") was incorporated and registered with the Securities and Exchange Commission (SEC) on May 1, 1933 and with the Bureau of Internal Revenue (BIR) on January 22, 1997. The Parent Company is a public company whose shares are listed in Philippine Stock Exchange (PSE). Its primary purpose, as amended, is to own, invest, manage, operate, maintain and develop port facilities, including other maritime activities supportive of port operations and shipping, and to establish or acquire subsidiaries and affiliates within or outside the Philippines for the same purposes herein set forth including those incidental thereto. On December 7, 2011, the SEC approved the change in corporate name of the Parent to Globalport 900, Inc. and the primary purpose of business.

On August 4, 2011, Sultan 900 Capital, Inc. ("Sultan 900" or "the Ultimate Parent Company"), a corporation registered with the SEC, acquired the ownership interest of Ventcap, Inc. ("Ventcap") in the Parent Company, including the deposit for future share subscription.

On September 28, 2011, the shareholders approved the increase in authorized share capital of the Parent Company through stock split from ₱100 million to ₱2.1 billion, and the reduction in the par value from ₱100 to ₱1 per share. The increase in the number of authorized shares and reduction in par value of share was approved by the SEC on October 12, 2011. On May 4, 2012, the shareholders approved another increase in authorized share capital from ₱2.1 billion to ₱3 billion. The increase was approved by the SEC on November 29, 2012. The proceeds from the increase in authorized share capital were used to finance the Parent Company's investments plans and undertakings. As at December 31, 2016, the Parent Company is 89.18% owned by Sultan 900.

Thru a share purchase agreement executed between the Parent Company and Sultan 900 (ultimate Parent) on April 4, 2012, 96.32% equity interest in Harbour Centre Port Holdings, Inc. (HCPHI) was acquired by the Parent Company from Sultan 900 for ₱1.638 billion. HCPHI is a domestic corporation registered with the SEC on September 12, 2007 as a holding Group. HCPHI has 6.5% interest ownership over Manila North Harbour Port, Inc. (MNHPI), an entity engaged primarily to own, invest, manage, develop, maintain and operate the Manila North Harbour and other port properties.

On the same date, a share purchase agreement was also executed between the Parent Company and Sultan 900, where the former acquired the latter's 100% equity interest in Platinum Dredging, Inc. (PDI), with the consideration of ₱300 million. PDI is a domestic corporation registered with the SEC on August 15, 2007, primarily to engage in dredging and rehabilitation works, and general construction and general building such as but not limited to port harbor and road, water supply, sewerage and sewage treatment/disposal plant.

The Parent Company and its subsidiaries (HCPHI and PDI) are herein collectively referred to as the "Group".

The Parent Company's registered office address is located at Unit 2701 One Corporate Center, Julia Vargas St. cor. Meralco Ave., Ortigas Center, Pasig City.

Status of Operation

On May 9, 2014, the trading of the Parent Company's securities was suspended by the PSE until further notice due to the Company's failure to comply with the structured reportorial requirements of the Exchange. As at reporting date, the trading of the Parent Company's securities is still suspended.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs). PFRSs include all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention, except where a PFRSs requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Presentation and Functional Currency

Items included in the consolidated financial statements of the Group are measured using Philippine Peso, the currency of the primary economic environment in which the Parent operates (the "functional currency"). All presented financial information has been rounded to the nearest peso, except when otherwise indicated.

Use of Judgments and Estimates

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the Philippines which require management to make judgments, estimates and assumptions that affect the amounts reported in the Group's financial statements and accompanying notes. The estimates and assumptions are reviewed on an on-going basis.

Judgments are made by management in the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the separate financial statements of the Parent and its subsidiaries as of September 30, 2016 and December 31, 2015.

Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

GLOBAL PORT 900, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2016 and December 31, 2015
(In Philippine Peso)

Profit and loss and each component of Other Comprehensive Income (OCI) are attributable to the equity holders of the Parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. The reporting dates of the Parent and the subsidiary are identical and the latter's accounting policies conform to those used by the Parent like transactions and events in similar circumstances.

Non-controlling interests represent the portion of comprehensive income and net assets not held by the Parent and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent.

The consolidated financial statements include the accounts of the Parent and its subsidiaries as follow:

Name of Subsidiaries	Place of incorporation	Principal activities	Ownership interest
Harbour Centre Port Holdings Inc. (HCPHI)	Quezon City	Holding company	96.32%
Platinum Dredging Inc. (PDI)	Manila	General construction	99.99%

Harbour Centre Port Holdings Inc. (HCPHI) and Platinum Dredging Inc. (PDI) are considered a subsidiary because the Parent has a dominant voting interest and it would take a number of vote holders to outvote the Parent, therefore it has control over the Subsidiaries.

Harbour Centre Port Holdings Inc. (HCPHI)

HCPHI is a stock corporation incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 12, 2007, primarily to purchase, subscribe for or otherwise, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or dispose of real and/or personal properties of every kind and description, including shares of stock, whether listed in the stock exchange or not, voting trust certificates, certificates of participation, share warrants, option warrants and other securities and to pay therefore, in whole or in part, cash, property, or stocks, bonds or securities issued by them or another corporation.

HCPHI had 68.11% ownership interest in Harbour Centre Port Terminal Inc. (HCPTI), a corporation duly organized and existing in the Philippines engaged primarily in the business of operating port facilities, including other maritime activities supporting port operations and shipping. HCPTI owned 15.17% of Manila North Harbour Port, Inc. (MNHPI), a joint venture engaged primarily to own, invest, manage, develop, maintain and operate the Manila North Harbour and other port properties. Accordingly, Harbour Centre Port Holdings Inc. (HCPHI) also owned 6.5% interest of MNHPI as disclosed in Note 1 and 10.

Subsequent to 2013, HCPHI was involved in a legal case involving ownership of HCPTI. This legal case involved the disputes between individual shareholders and officers of the Board of HCPTI and other third parties. The dispute on ownership of HCPTI restricted HCPHI's access to HCPTI financial records and caused the delay in preparing the consolidated financial statements of the Group. Accordingly, the consolidated financial statements of the Group as at September 30, 2016 and December 30, 2015 do not include HCPTI.

On September 5, 2018, the parties involved in the ownership dispute entered into a settlement agreement and this was embodied in a court order on October 24, 2018. The settlement agreement irrevocably waived, relinquished and renounced any and all interest over any and all shares of stock, assets and business in all the companies which the parties have common ownership including HCPTI. Consequently, the said investment to HCPTI was derecognized and was not included in the consolidated financial statements.

The separate financial statements of Harbour Centre Port Holdings Inc. (HCPHI) for the year ended December 31, 2016 were audited by other independent auditors (other than Alas, Oplas & Co. CPAs) whose report dated October 10, 2018 and expressed an unqualified opinion on those financial statements.

Platinum Dredging Inc. (PDI)

PDI is a stock corporation incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on August 15, 2007, primarily to engage in general construction and general building, such as dredging and reclamation works as general contractor for port harbour and road, highway pavement, railway, airport horizontal structure and bridges, dam reservoir and tunnelling, water supply, irrigation and flood control, building and industrial plant, sewerage and sewage treatment/disposal plant, water treatment plant and system, park, playground, recreation works and foundation work and other structure.

Due to PDI's accumulated losses from the past years, the Company resulted to capital deficiency as of December 31, 2016. The management decided to cease its operations starting April 2017 and go into voluntary liquidation. Consequently, the court declared PDI as insolvent through liquidation order received by the Company on September 27, 2019.

The financial statements of Platinum Dredging Inc. (PDI) for the year ended December 31, 2016 were audited by other independent auditors (other than Alas, Oplas & Co. CPAs) whose report dated July 26, 2019 and expressed an unqualified opinion on those financial statements.

4. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosures of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

New and Revised PFRSs in Issue but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise stated, these amendments, standards and interpretations do not have any impact on the financial statements.

The Group intends to adopt the following pronouncements when they become effective, as applicable.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

Financial Assets

Date of Recognition

The Group recognizes a financial asset in the statements of financial position when it becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where applicable and appropriate, re-evaluates this designation at each reporting date. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulations or convention in the marketplace.

Initial Recognition

Financial assets are initially measured at cost, which is the fair value at inception. Transaction costs are expense as incurred.

Classification

Subsequent to initial recognition, the Group classifies its financial assets into the following categories: 'financial assets 'at fair value through profit or loss' (FVPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets, and loans and receivables.

The classification depends on the nature and purpose for which the financial assets are acquired and is determined at the time of initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of September 30, 2016, the Group has no financial assets at FVPL and held-to-maturity investments.

Available-for-sale (AFS) financial assets. This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

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All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. Fair value is determined based on the quoted closing market prices on the last market day of the financial year. When the asset is disposed or determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented in the consolidated statements of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

The Available-for-sale (AFS) financial asset of the Group pertains to the investment in shares of stocks of Harbour Centre Port Holdings, Inc. to Manila North Harbour Port, Inc.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or FVPL financial assets.

Loans and receivables are classified under current assets if it is expected to be received within twelve (12) months from the reporting date. Otherwise, these are classified under noncurrent assets.

The Group's loans and receivables consist of cash, trade and other receivables and advances to related parties.

Cash

In the statement of cash flows, cash includes cash in banks. The Group recognized cash as current assets when the cash is not restricted from being exchanged or used to settle liability for at least twelve months after the end of the reporting period.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate. Cash in banks are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. If a bank holding the funds of the Group is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

Trade and other receivables

Trade and other receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Advances to Related Parties

Advances to related parties are the aggregate amount of receivables to be collected from related parties where one party can exercise control or significant influence over another party; including affiliates, owners or officers and their immediate families, pension trusts and so forth, at the financial statement date, which are usually due within one year (or one business cycle).

Advances to related parties are measured at the fair value of the consideration given to a related party. The transaction made is equivalent to an arm's length transaction.

Determination of Fair Value

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event), and the estimated future cash flows of the financial asset that can be reliably estimated have been affected by such loss event.

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

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For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases, and decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets

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

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

When the Group has transferred its right to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset. The extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognized directly in the statements of changes in equity in the statements of comprehensive income.

Prepayments and other current assets

Assets that are expected to be converted to cash within 12 months or to be realized, sold or consumed within the Group's normal operating cycle are classified as current assets in the consolidated statement of financial position. Otherwise, it is classified as non-current asset. Other current assets recognized by the Group include prepaid insurance, prepaid income tax and input tax.

Property and equipment

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

The initial cost of property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its original assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on straight-line basis over the estimated useful life of the properties, as follows:

Category	Estimated Useful Life
Furniture and Fixtures	3 years
Machinery and Equipment	5 years
Transportation Equipment	5 years

Depreciating an item begins when property and equipment is available for use and to continue depreciating until it is derecognized, even if in that period those items are idle.

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

The cost of repairs and maintenance is charged to expense as incurred, significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as income or expense for the year. Gains or losses on disposals are determined by comparing proceeds with the carrying amount of the assets.

The carrying amount of a part of an item of property and equipment is derecognized if that part has been replaced and included in the cost of the replacement in the carrying amount of the item.

Property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable. If any such indication exists and where the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of these assets is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

An item of property and equipment 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 the consolidated statement of comprehensive income in the year the item is derecognized.

Intangible assets

Intangible assets include software licenses which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years as these intangible assets are considered finite. Computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software licenses are expensed as incurred.

Business combination and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group measures goodwill at the acquisition date as: a) fair value of the consideration transferred; plus, b) the recognized amount of any non-controlling interest in the acquiree; plus, c) if the business combination is achieved in stages the fair value of the existing equity interest in the acquiree; less, d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Goodwill in a business Combination

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated a) represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and; b) is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill is related. Where the recoverable amount of the cash generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized.

Where the goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

Loss of Control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any noncontrolling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

Impairment of Non-Financial Assets excluding inventories

At each reporting date, the Group assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The Group's corporate assets do not generate separate cash inflows. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

Impairment losses are recognized in profit or loss

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

Financial Liabilities and Equity Instruments

A financial liability is any liability that is:

- a. a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- b. a contract that will or may be settled in the entity's own equity instruments and is
 - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Classification as Financial Liability or Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs that related to the issue of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are recognized when any of the companies in the Group becomes a party to the contractual agreements of the instrument. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group has no financial liabilities at FVTPL as of September 30, 2016.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value inclusive of directly attributable transaction costs.

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization pertain partly payment to the principal and payment for interest. Interest expense is recognized in profit or loss.

Gains and losses are recognized in profit or loss when the liabilities are derecognized.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Included in this category is the Group's trade and other payables and advances from stockholders that meet the above definition (other than liabilities covered by other PFRSs, such as income tax payable), in the statement of financial position.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

In those cases, where the possible outflow of economic resource as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the 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 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.

Contingent Liabilities and Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Share Capital

Ordinary shares represents the nominal value of shares that have been issued are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The cost of acquiring the Group's own shares are shown as a deduction from equity until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in the equity.

Additional Paid-in Capital

Additional paid-in capital pertains to any premium received by the Group on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax under reserves.

Deficit

The deficit represents net accumulated losses of the Group since its inception.

Treasury Shares

The cost of acquiring the Group's own shares are shown as deduction from equity as treasury shares until the shares are cancelled or reissued. Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or cancelled, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured and when the following specific criteria have been met:

Interest income

Revenue is recognized as interest accrues on a time proportion basis that reflects the effective yield on the assets. Interest income on bank deposits is recorded when earned and presented net of applicable final tax.

Other income

Revenue is recognized when there is an incidental economic benefit, other than from the usual business operations that will flow to the Group and it can be measured reliably.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distribution to equity participants. Cost and expenses are generally recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined; or
- Immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

General and Administrative expense

General and administrative expenses are incurred in the direction and general administration of day-to-day operation of the Group. These are generally recognized when the services are rendered, or the expenses are incurred.

General and administrative expense comprise of advertising and promotion, transportation, professional fees, taxes and licenses, office supplies, membership and association dues and miscellaneous expenses.

Employee Benefits

Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, non-monetary benefits and other short-term benefits.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. They are included in "Trade and Other Payables" account in the consolidated statement of financial position.

Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of PAS 37: "Provisions, Contingent Liabilities and Contingent Assets" and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are initially recorded in the functional currency closing rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange prevailing at the reporting date. All differences are taken to the statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Exchange differences arising on the settlement of monetary items, and on revaluation of monetary items are included in the statements of comprehensive income.

Related Parties and Related Party Transactions

Related Party Relationship

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

The key management personnel of the Group, post-employment benefit plans for the benefit of Group's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Group that gives them significant influence in the financial and operating policy decisions of the Group are also considered to be related parties.

Related Party Transaction

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Group when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Group. Transactions between related parties are accounted for at arm's length prices or on terms similarly offered to non-related entities in an economically comparable market.

Value-added Tax

Revenues, expenses and assets are recognized, net of the amount of value-added tax (VAT) except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

Current Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable nor deductible.

The Group's current income tax liability is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates position taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of such assets and liabilities as at balance sheet date.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, except:

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- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are generally recognized for all deductible temporary differences, the carry-forward of unused tax losses and the carry-forward of unused tax credits to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carry-forward tax benefits can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow such deferred tax assets to be recovered.

Deferred tax asset is also recognized for Net Operating Loss Carry Over (NOLCO).

Section 34 (D) (3) define Net Operating Loss Carry Over as the net operating loss of the enterprise for any taxable year immediately preceding the current year, which has not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of loss.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is expected to be realized or the liability is expected to be settled, based on tax laws that have been enacted or substantively enacted as at balance sheet date.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

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

Events After the End of the Reporting Date

The Group identifies events after the reporting date as events that occurred after the reporting date but before the date of the financial statements were authorized for issue.

Any event that provides additional information about the Group's financial position at the reporting date is reflected in the financial statements. Non-adjusting events are disclosed in the notes to the financial statements when material.

Prior Period Errors

The Group corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (a) restating the comparative amounts for the prior period presented in which the error occurred; or (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

6. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS, AND JUDGMENTS USED

The preparation of the accompanying Group financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the Group financial statements. Actual results could differ from such estimates. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments 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.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The critical judgments made in the process of applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Critical 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 estimations, which have the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine peso. The Philippine Peso is the currency of the Primary economic environment in which the Group operates. It is the currency that mainly influences the sales of services and the cost of providing these services.

Classification of Financial Instruments

The Group classifies a financial instrument, or its components parts, on initial recognition, as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

Distinction between Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. As of September 30, 2016 and December 31, 2015, the Group has determined that no contingencies will materially affect the Group's consolidated financial statement, hence no provisions are recognized.

Classification of Financial Instruments

The Group classifies a financial instrument, or its components parts, on initial recognition, as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determination of control over subsidiaries

In evaluating whether an entity has control over another entity it must first be ascertained whether the entity has the power to participate in the financial and operating policy decisions of the other entity.

Control is presumed to exist when the parent owns directly or indirectly, through subsidiaries, more than half of the voting power of an entity. In some instances this will be clear-cut. However, in other circumstances, such ownership may not constitute control.

When control is not established through voting power, judgement may need to be applied to determine whether other factors result in control. Other factors to be considered include the ability to govern an entity's financial and operating policies and the existence of power to appoint or remove members of an entity's Board of Directors or equivalent governing body.

The existence of potential voting rights through options or convertible instruments may require further judgement.

Non-consolidation of Entities in which the Group Holds More than 50% ownership

HCPHI, one of the subsidiaries, had ownership interest of 68.11% in Harbour Centre Port Terminal Inc. In making the assessment of whether it has control over the relevant activities of HCPTI, management considered the legal dispute involving the ownership of the said entity.

Subsequent to 2013, HCPHI was involved in a legal case involving ownership of HCPTI. This legal case involved the disputes between individual shareholders and officers of the Board of HCPTI and other third parties. The dispute on ownership resulted to loss of control by HCPHI to HCPTI and restricted access to HCPTI financial records that caused the delay in preparing the consolidated financial statements of the Group. Accordingly, the consolidated financial statements of the Group as at September 30, 2016 and December 31, 2015 do not include HCPTI.

Judgment on the outcome of legal dispute

HCPHI, one of the subsidiaries, was involved in legal proceedings relating to its ownership over HCPTI. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with the external defense counsel handling the matter and is based upon an analysis of potential results. The litigations in which one of the subsidiaries was involved into is expected to have a material adverse impact on the Group's financial condition and results of operations.

The outcome of legal dispute was finalized by the court on October 24, 2018 leading to HCPHI's management decision to derecognize its investment in HCPTI. See note 3.

Recognition of Deferred Income Tax

Management's judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and the extent to which deferred income tax assets can be recognized.

A deferred tax asset is recognized if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognized in order to reflect changed circumstances as well as tax regulations.

As a result, due to their inherent nature, it is likely that deferred tax calculation relates to complex fact patterns for which assessments of likelihood are judgmental and not susceptible to precise determination.

Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Evaluating Allowance for Impairment on Financial Assets

An impairment loss is recognized when there is objective evidence that a financial asset is impaired. Management specifically reviews its advances to affiliates and analyses historical bad debts, creditworthiness, current economic trends and changes in the payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation. Such difference will impact the carrying amount of financial assets.

The carrying amount of financial assets tested for impairment amounted to P52,088,601 and P56,702,544 which consists of advances to related parties and trade and other receivables, as of September 30, 2016 and December 31, 2015, respectively as disclosed in Notes 7 and 9. No impairment was recognized in 2016 and 2015 except to what has been provided for impairment loss in the past years.

Reviewing Useful Lives and Depreciation Method of Property and Equipment

The useful lives and depreciation method of the Group's property and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date.

The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and decrease the carrying value of the related property and equipment.

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The Group uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which a Group expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

As of the reporting period, management assessed that there is no significant change from the previous estimates. As of September 30, 2016, and December 31, 2015, the carrying amounts of the depreciable property and equipment amounted to 24,87 and ₱99,486, respectively, as disclosed in Note 12.

Estimating Allowance for Impairment Losses on Non-Financial Assets

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of property and equipment and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that property and equipment and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment.

Management believes that the value of its investment in stocks and property and equipment are not impaired except to what has been provided for impairment loss in the past years. The aggregate carrying amounts of assets tested for impairment amounted to ₱195,000,000 and ₱195,099,486 as of September 30, 2016 and December 31, 2015, respectively, as disclosed in Notes 11 and 12.

Estimating Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets 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. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

7. RELATED PARTY TRANSACTIONS

Related party relationships

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

Related parties on this financial statement refers to the Ultimate Parent and companies in which the Parent Company and its subsidiaries holds interest into. They are as follows:

Related parties	Country of Incorporation	Relationship
Sultan 900 Capital, Inc.	Philippines	Ultimate Parent
Mikro-Tech Capital, Inc.	Philippines	Affiliate
Officer and stockholders		Key management personnel

As disclosed in Notes 1, 3 and 6, the court approved and adopted the settlement agreement in its decision on October 24, 2018. As a result, HCPHI, one of the subsidiaries, lost its control over Harbour Centre Port Terminal, Inc (HCPTI). Following the loss of control by HCPHI, the management decided to derecognize its interest over HCPTI's assets, liabilities and interest over entities in consolidated level. There were no other transactions between HCPHI and HCPTI aside from the investment account of the latter. This investment account was impaired since 2014, hence no gain or loss is to be recognized as a result of this derecognition as of September 30, 2016. Accordingly, HCPTI was not recognized by the Group as related party in these consolidated financial statements.

Related party transactions and balances

There are transactions and arrangements between the Group and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements.

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Trading Transactions

There were no trading transactions occurred between related parties as of September 30, 2016 and December 31, 2015.

The Company's transaction and balances with related parties as of September 30, 2016 and December 31, 2015 are as follows:

Entity	Year	Transaction				Balances		Terms and conditions
		Advertising and Promotion -- Note 17	Advances to	Advances from	Advances to	Advances from		
a) Sultan 900 Capital, Inc.	September 2016	4,549,977	(4,549,977)	-	51,486,560	-	no fixed term; non-interest bearing, unsecured	
	2015	-	(100,500)	-	56,036,537	-		
b) Stockholder	September 2016	-	-	36,612,134	-	46,715,375	non-interest bearing, unsecured, payable on demand	
	2015	-	-	7,841,161	-	10,103,238		
	September 2016	64,549,977	(4,549,977)	36,612,134	51,486,560	46,715,372		
	2015	-	(100,500)	7,841,161	56,036,537	10,103,238		

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- a) The Parent Company has entered into an agreement on January 2016 to share in advertising and marketing with its Ultimate Parent Company, Sultan 900 Capital, Inc. which provides that the latter has an existing Philippine Basketball Association (PBA) Franchise and has agreed to carry the franchise under the name of "GLOBALPORT BATANG PIER" for advertising and marketing purposes. The agreement further provides that the Company will be charged the rate of ₱505,553 monthly or ₱6,066,631 annually by Sultan 900 Capital Inc. as compensation for the said advertising and marketing services. (see Note 17).

Offsetting

The Group made a cash advances to its parent for investment purposes in 2012. The Ultimate Parent Company (Sultan 900) was not able to settle the advances for the periods 2014 and 2015 and as a way of collecting, the Parent Company and Sultan 900 Capital, Inc. (the Ultimate Parent), agreed to offset the recharges of marketing expenses by the latter to the Group (see note 17 and 22). As of September 30, 2016 and December 31, 2015, the total advances to Sultan 900 Capital, Inc. amounted to ₱51,486,560 and ₱56,036,537, respectively.

The movement of the Group's advances to related parties are as follows:

	September 30, 2016	December 31, 2015
Balance, beginning of year	56,036,538	56,137,038
Collections	-	(100,500)
Offsetting	(4,549,977)	-
Balance, end of year	51,486,560	56,036,538

The amounts outstanding are non-interest bearing, unsecured, collectible in demand, as they have no specific maturity, and will be settled through offsetting of marketing expenses.

No guarantees have been received and no provisions have been made for any impaired amount owed by related parties.

- b) Advances from certain stockholders represent Group expenses paid by a stockholder in behalf of the Group, including professional fees, penalties, membership and association dues and other general and administrative expenses.

The movement in the account is as follows:

	September 30, 2016	December 31, 2015
Balance, beginning of year	10,103,237	2,262,077
Advances made during the year	36,612,134	7,841,161
Payments made during the year	-	-
Balance, end of year	46,715,375	10,103,238

The amounts outstanding are non-interest bearing, unsecured, payable in demand, as they have no specific maturity, and will be settled in cash.

No guarantees have been given and no provisions have been made for any impaired amount owed by the Group.

Lease Agreement

The Group entered into an agreement with Mikro-Tech Capital, Inc. (Affiliate) for the sharing of office space leased by Mikro-Tech from year 2014 to present and that the use of office space is free of charge.

Key management compensation

The Group considers, as key management personnel, its directors and all employees holding managerial position up to the president having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

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The Group has no employees holding managerial position as of September 30, 2016 and December 31, 2015. There was no member of the Board of Directors has received per diem or any compensation for any service provided as director for the year. The Group has no other arrangements in material terms, including consulting contracts, pursuant to which any director was compensated, or is to be compensated directly or indirectly for the year, for any service provided as director.

8. CASH

For the purpose of the statement of cash flows, cash include cash in banks.

Cash at the end of the reporting period as shown in the statement of cash flows can be reconciled to the cash in the statement of financial position.

Cash in banks pertain to savings account with local banks which amounts to ₱1,164,428 and ₱1,308,484 as at September 30, 2016 and December 31, 2015, respectively.

Cash in banks earn interest at the respective bank deposit rates. Interest income earned for the year ended September 30, 2016 and December 31, 2015 amounted to ₱176 and ₱1,827, respectively.

There was no restriction imposed upon cash in bank and on hand by either management, stockholders or outside parties.

9. TRADE AND OTHER RECEIVABLES

This account consists of:

	Note	September 30, 2016	December 31, 2015
Trade receivables		17,550,263	17,550,263
Allowance for doubtful accounts	22	(17,550,263)	(17,550,263)
		—	—
Advances for liquidation		602,041	620,500
Other receivables		—	45,506
		602,041	666,006

Trade receivables are usually due within 30 to 90 days and are non-interest bearing.

In 2014, the management has provided an allowance for impairment loss on the outstanding balance of receivables of the Group amounting to ₱17,550,263 due to non-collectability of accounts. See Note 19.

Advances for liquidation account pertains to the advances given to officers and employees that serves as revolving fund for day to day operations and expenses such as transportation and supplies. These advances to officers and employees are short-term, unsecured and non-interest bearing and are settled through salary deduction or liquidation.

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	September 30, 2016	December 31, 2015
Input VAT	1,343,962	1,220,576
Creditable withholding tax	1,170,173	1,062,290
	2,514,135	2,282,866

Creditable withholding tax pertain to the excess tax credit to be credited to the next quarter or taxable year.

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Input tax can be applied against output tax. Management believes that the amount is fully realizable in the future.

11. INVESTMENT IN STOCKS

The Group's investment consists of investment in shares of stock representing the ownership interest of Harbour Centre Port Holdings, Inc. (HCPHI) to Manila North Harbour Port, Inc. (MNHPI). MNHPI is a domestic corporation engaged in the development and operations of port facilities.

The Group's ownership interest to MNHPI was 19.5% in which the Group does not have control or significant influence over MNHPI. In the year 2013 and 2014, the interest in MNHPI was accounted as investment in shares of stock and the carrying amount of the investment amounted to ₱195,000,000, as presented in the consolidated statements of financial position.

On January 29, 2015, MNHPI amended its Articles of Incorporation (AOI) by increasing the Company's authorized capital stock by ₱2 billion or from ₱1 billion divided into 10 million shares to ₱3 billion divided into 30 million shares with par value of ₱100 per share. On February 18, 2015, Securities and Exchange Commission (SEC) approved the Company's application for increase in authorized capital stock.

Consequently, the shareholdings structure has changed and the Group's ownership was diluted from 19.5% ownership interest (Harbour Centre Port Holdings, Inc. to Manila North Harbour Port, Inc.) to 6.5% ownership interest as at September 30, 2016 and December 31, 2015.

12. PROPERTY AND EQUIPMENT – NET

The carrying amounts of the Company's property and equipment are as follows:

2016	Machinery and Equipment	Transportation equipment	Furniture and fixtures	Total
Cost	359,542,025	1,200,000	9,290,041	370,032,066
Accumulated depreciation				
At beginning of year	359,542,025	1,200,000	9,190,555	369,932,580
Depreciation	—	—	74,615	99,486
At end of year	359,542,025	1,200,000	9,265,170	370,032,066
Carrying Amount	—	—	24,872	—

2015	Machinery and Equipment	Transportation equipment	Furniture and fixtures	Total
Cost	359,542,025	1,200,000	9,290,041	370,032,066
Accumulated depreciation				
At beginning of year	359,542,025	1,200,000	8,951,105	369,693,130
Depreciation	—	—	239,450	239,450
At end of year	359,542,025	1,200,000	9,190,555	369,932,580
Carrying Amount	—	—	99,486	99,486

The depreciation expense recognized amounted to ₱74,615 and ₱239,450 in September 30, 2016 and December 31, 2015, respectively as disclosed in Note 17.

As of September 30, 2016 and December 31, 2015, the Group has no contractual commitment to purchase or build property and equipment. There are no property and equipment items as at September 30, 2016 and December 31, 2015 that are pledged as security to liabilities.

13. TRADE AND OTHER PAYABLES

This account consists of:

	September 30, 2016	December 31, 2015
Outside parties	53,327,031	58,002,937
Payable to government agencies	1,916,412	3,532,355
Accrued expenses	1,761,279	1,867,836
Other payables	45,070,152	47,796,888
	102,074,875	111,200,016

Trade payable to outside parties includes obligations to the suppliers which are related to the services rendered to the Group.

Accrued expenses generally include professional fees, penalties and interest and other expenses that were incurred but not yet paid as at reporting date. Accrued expenses also include the amount of ₱542,836 for future liquidation expenses of PDI (see note 1 and 3). This amount was previously accounted as retirement benefit but due to cessation of operations of PDI and no employee is at retirement age to avail this benefit, it was reclassified to accruals for future liquidation instead.

14. SHARE CAPITAL

The share capital of the Group is as follows:

	September 30, 2016	December 31, 2015
Share capital	2,156,250,000	2,156,250,000
Additional paid-in-capital	268,309	268,309
	2,156,518,309	2,156,518,309

Components of share capital are as follows:

	September 30, 2016		December 31, 2015	
	Shares	Amount	Shares	Amount
<i>Authorized share capital</i>				
Ordinary shares at ₱1 par	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
<i>Subscribed and paid up</i>				
Subscribed				
Ordinary shares at ₱1 par	2,325,000,000	2,325,000,000	2,325,000,000	2,325,000,000
Less:				
Subscription receivable	(168,750,000)	(168,750,000)	(168,750,000)	(168,750,000)
Paid up capital	2,156,250,000	2,156,250,000	2,156,250,000	2,156,250,000

On September 28, 2011, the shareholders approved the increase in authorized share capital of the Parent Company through stock split from ₱100 million to ₱2.1 billion, and the reduction in the par value from ₱100 to ₱1 per share. The increase in the number of authorized shares and reduction in par value of share was approved by the SEC on October 12, 2011.

On May 4, 2012, the shareholders approved another increase in authorized share capital from ₱2.1 billion to ₱3 billion. The increase was approved by the SEC on November 29, 2012. The proceeds from the increase in authorized share capital were used to finance the Parent Company's investments plans and undertakings. As at September 30, 2016 and December 31, 2015, the Parent Company is 89.18% owned by Sultan 900.

Book value per share

Book value per share amounted to ₱0.043 and ₱0.062 in 2016 and 2015, respectively.

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Treasury shares

This consists of 201,500 common shares, stated at acquisition cost of P595,111 as of September 30, 2016 and December 31, 2015.

15. REVENUE

The Group has generated revenue from its port operation amounting to P1,257,143, nil, P3,064,285 and nil for the the quarters ended September 30, 2016, September 30, 2015 September 30, 2015 and September 30, 2016, respectively.

16. COST OF SERVICES

This account consists of:

	Note	3 rd Quarter 2016	3 rd Quarter 2015	September 30, 2016	September 30, 2015
Outside services		1,519,320	–	4,232,392	–
Repair and maintenance		369,097	–	1,028,198	–
Personnel costs	19	113,168	–	315,253	–
Materials, supplies and facilities		–	–	–	–
Depreciation		–	–	–	–
Other expenses		50,803	–	141,522	–
		2,052,387	–	5,717,364	–

17. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	3 rd Quarter 2016	3 rd Quarter 2015	September 30, 2016	September 30, 2015
Professional fees	5,029,082	214,838	14,009,587	598,541
Personnel costs	2,039,823	1,761,497	5,682,365	4,907,538
Advertising and promotion	1,516,659	–	4,549,700	–
Penalties and interest	884,587	–	2,464,208	–
Taxes and licenses	289,259	92,426	805,792	257,498
Membership and association dues	157,741	–	439,421	–
Representation expense	260,979	1,344,716	402,015	3,746,386
Transportation and travel	36,653	119,319	102,106	332,423
Depreciation expense	38,690	66,687	107,779	186,771
Rent expense	35,487	11,589	98,857	32,287
Utilities expense	15,175	9,433	42,274	26,280
Office supplies	–	15,028	–	41,867
Repairs and maintenance	–	221,686	–	617,619
Fuel expense	–	24,696	–	68,804
Security services	3,099	106,890	8,632	297,795
Outside services	–	2,800	–	7,800
Other general and administrative expenses	259,330	949,796	722,697	2,646,135
	10,566,565	4,941,400	29,435,433	13,766,763

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Advertising and promotion pertains to the recharges of marketing expenses by ultimate Parent Company (see Note 7).

Penalties pertains to accrued fees and charges of government regulatory agencies such as Philippine Stock Exchange (PSE), Philippine Securities of Exchange Commission (SEC), and Bureau of Internal Revenue (BIR).

Professional fees pertain to the following expenses:

	3 rd Quarter 2016	3 rd Quarter 2015	September 30, 2016	September 31, 2015
Legal	4,844,282	214,838	13,494,787	598,541
Others	184,800		514,800	—
	5,029,082	214,838	14,009,587	598,541

18. PERSONNEL COST

The account is composed of the following expenses:

	3 rd Quarter 2016	3 rd Quarter 2015	September 30, 2016	September 31, 2015
Salaries and wages	1,856,959	1,686,093	5,451,129	4,697,463
Employee benefits	185,864	75,404	546,489	210,075
Government contributions	—	—	—	—
	2,039,823	1,761,497	5,997,618	4,907,538

19. FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES AND OBJECTIVES**Financial Risk Management Objectives and Policies***Overview*

The Group's financial instruments consist of cash, advances to related parties, trade and other payables and advances from related parties. The primary purpose of these financial instruments is to finance the Group's operations.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk

Risk Management Framework

The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

There were no changes in the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

Credit Risk

Credit risk is the risk of financial loss to the Group if a timeshare purchaser or any counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises principally from the Group's advances to related parties. The Group's exposure to credit risk on advances to related parties is minimal. The management has established a policy for credit risk assessment and collection. The Group manages the level of credit risk it accepts by the following:

- Setting up the exposure limits of each counterparty;
- Determining right of offset, where counterparties are both creditor and debtor

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- Monitoring compliance with credit risk policy as well as reviewing the existing risk policy for pertinence and changing environment

The Group also transacts with related companies and it does not require collateral in granting cash advances to these parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has significant concentration of credit risk as the majority of Group's receivable were from Sultan 900 the Ultimate Parent.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Notes	September 30, 2016	December 31, 2015
Cash in banks	8	1,164,428	1,308,484
Trade and other receivables	9	18,152,304	18,216,329
Advances to related parties	7	51,486,560	56,036,537
		70,803,292	75,561,350

The Group does not hold any collateral or other credit enhancements to cover this credit risk.

Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

Below are the credit qualities of the Group's financial assets as of September 30, 2016 and December 31, 2015:

September 30, 2016	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	1,164,428	--	--	--	--	1,164,428
Trade and other receivables	602,041	--	--	--	17,550,263	18,152,604
Advances to related parties	51,486,560	--	--	--	--	51,486,560
	53,253,029	--	--	--	17,550,263	70,803,292

2015	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	1,308,484	--	--	--	--	1,308,484
Trade and other receivables	666,006	--	--	--	17,550,263	18,216,269
Advances to related parties	56,036,537	--	--	--	--	56,036,537
	58,011,027	--	--	--	17,550,263	75,561,350

High grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Financial assets are current and collectible.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counter parties generally respond to credit actions and update their payments accordingly. These financial assets need to be followed up.

Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due at a reasonable cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligations; or inability to generate cash inflows as anticipated.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations in accordance with internal policies. The Group also manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities:

September 30, 2016	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	Over 1 year
Trade and other payables	102,074,875	102,074,875	102,074,875	–	–
Advances from related parties	46,715,375	46,715,375	46,715,375	–	–
	148,790,247	148,790,247	148,790,247	–	–
2015	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	Over 1 year
Trade and other payables	111,200,016	111,200,016	111,200,016	–	–
Advances from related parties	10,103,238	10,103,238	10,103,238	–	–
	121,303,254	121,303,254	121,303,254	–	–

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

Fair Value of Financial Instruments

The Group measures financial instruments and non-financial assets at fair value at each reporting date.

Due to short-term nature of the transactions, the fair value of cash, and other receivables and other payables reasonably approximate the amount of consideration at the time of initial recognition.

Fair Value Hierarchy

The Group uses the following hierarchy in determining the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Capital Management

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group sets strategies with the objective of establishing a sound capital structure. The Group defines capital as capital stock and deficit.

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

The Group's debt to equity ratio at the reporting dates are as follows:

	September 30, 2016	December 31, 2015
Total liabilities	148,790,247	121,303,254
Total equity	102,053,080	134,141,416
Debt to equity ratio	1.46 : 1	.90 : 1

The Group is not subject to externally imposed capital requirements.

20. PROVISION AND CONTINGENCIES

On May 9, 2014, the trading of the Group's securities was suspended by the Philippine Stock Exchange (PSE). As at December 31, 2016, the Group's market capitalization is ₱15,739,154,050.

The Group is not aware of any pending or threatened litigation, other claims or assessments or unasserted claims of assessments that are required under PAS 37 of full PFRSs, to be accrued or disclosed in the financial statements except for the above mentioned.

The Group has complied with all aspects of contractual agreements that could have a material effect on the accounts in the event of non-compliance.

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21. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is computed as follows:

	3 rd Quarter 2016	3 rd Quarter 2015	September 30, 2016	September 31, 2015
Net loss attributable to equity holders of the Parent (a)	(11,518,890)	(4,941,400)	(32,088,336)	(13,765,328)
Weighted average number of shares outstanding (b)	2,324,798,500	2,324,798,500	2,324,798,500	2,324,798,500
Basic/diluted earnings (loss) per share (a/b)	(0.0050)	(0.0021)	(0.013)	(0.002)

The Group has no dilutive debt or equity instruments.

22. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	September 30, 2016		December 31, 2015	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets				
Cash in banks	1,164,428	1,164,428	1,308,484	1,308,484
Trade and other receivables	602,041	602,041	666,006	666,006
Total	1,766,469	1,766,469	1,974,490	1,974,490
Financial Liabilities				
Trade payables and accruals	102,074,875	102,074,875	111,200,016	111,200,016
Advances from related parties	46,715,372	46,715,372	10,103,238	10,103,238
Total	148,790,247	148,790,247	121,303,254	121,303,254

See note 2d for the description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in note 19.

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

Plan of Operation. From the change in the corporate name and primary purpose of the Corporation in 2011, the Corporation has continued to explore possibilities of investing in companies engaged in the port industry.

As of the date of this report, the Corporation has plans to expand its investment in other port related business with the end goal of being able to manage and/or operate or provide services to these ports, subject to the approval of the Board and the stockholders.

Analysis of Financial Condition and Results of Operations**As of September 30, 2016**

The following table shows the consolidated financial highlights of the Corporation for the quarterly ended June 30 2016 with comparative figures of the previous years and as of December 31 for 2015.

	September 30, 2016	September 30, 2015
Income Statement Data		
Total Revenue	3,064,285	-
Gross Profit	(2,653,079)	-
Earnings Before Interest and Tax (EBIT)	(32,088,512)	(13,766)
Net Income (Loss)	(32,088,336)	(32,088,512)
Depreciation	74,615	67,046
Taxes	-	-
Interest Expense	-	-
Balance Sheet Data		
	September 30, 2016	December 30, 2015
Total Current Assets	55,767,165	60,293,893
Property and Equipment - net	24,872	99,486
Total Assets	250,843,327	255,444,670
Current Liabilities	148,790,247	121,303,254
Total Liabilities	148,790,247	121,303,254
Stockholders' Equity	102,053,080	131,141,416
Total Liabilities & Stockholders' Equity	250,843,327	255,444,670
Current Ratio	0.3748	0.50
Solvency Ratio	1.6859	2.1058
Debt to Equity Ratio	1.4580	0.9043
Interest rate coverage ratio	-	-
Gross Profit Margin	-86.5807%	0%
Net Profit Margin	-1,047.1720%	0%

The following table shows the consolidated financial highlights of the Corporation for the quarterly ended September 30, 2016 with comparative figures of the previous years and as of September 30 for 2016 to 2015.

Based on the above table the following are key performances indicators of the Corporation for September 30 of 2016 and December 31, 2015:

- (a) **Working Capital Ratio or Current Ratio** – This will measure how liquid the corporation is and its ability to meet its current obligations. It is computed by dividing total current assets with the total current liabilities.
- (b) **Debt Management Ratio or Solvency Ratio** – This is computed by dividing the total liabilities by the total assets.
- (c) **Debt Equity Ratio** – This will explain the relationship between how the assets were financed by the Corporation's creditors and its stockholders. This is computed by dividing the total liabilities over the stockholder's equity.
- (d) **Interest Rate Coverage Ratio** – A ratio used to determine how easily a company can pay interest on outstanding debt. The interest rate coverage ratio is calculated by dividing the Company's earnings before interest and taxes (EBIT) of one period by the company's interest expense of the same period.

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- (e) **Gross Profit Margin** – Gross profit margin (gross margin) is the ratio of gross profit (gross sales less cost of sales) to sales revenue. It is the percentage by which gross profit exceeds production costs. Gross margin reveal how much a company earns taking into consideration the costs that it incurs for producing its products or services.
- (f) **Net Profit Margin** – Net profit margin (or profit margin, net margin) is a ratio of profitability calculated as after-tax net income (net profits) divided by sales (revenue). Net profit margin is displayed as a percentage. It shows the amount of each sale left over after all expenses have been paid.

Changes in Financial Condition – September 30, 2016 vs December 31, 2015

Current year's decrease in the total assets is due to the impairment of accounts receivables, property and equipment and other non-current assets.

Change in Operating Results – September 30, 2016 and December 31, 2015

The Parent Company, Globalport 900, Inc. (G900) and one of its subsidiaries, Harbour Centre Port Holdings, Inc. (HCPHI) has no commercial operations as at September 30, 2016. Hence, operations of Platinum Dredging, Inc. (PDI), HCPHI and G900 for the period ended September 30, 2016 resulted to a net loss of P (32,088,336).

Material Events and Uncertainties. For both fiscal years, the Corporation has nothing to report on the following other than the disclosures mentioned in the notes to the financial statements and discussed above.