

# COVER SHEET

SEC Registration Number

P W 0 0 0 0 0 2 5

**COMPANY NAME**

G L O B A L P O R T 9 0 0 , I N C .  
 A N D S U B S I D I A R I E S  
 ( F O R M E R L Y M I C H O L D I N G S , I N C . )

**PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province )**

U N I T 2 7 0 1 O N E C O R P O R A T E C E N T R E  
 J U L I A V A R G A S A V E . , O R T I G A S  
 C E N T E R P A S I G C I T Y

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N A

**COMPANY INFORMATION**

Company's Email Address

bo\_galvez@yahoo.com

Company's Telephone Number

Mobile Number

No. of Stockholders

61

Annual Meeting (Month / Day)

Any day in June

Fiscal Year (Month / Day)

December 31

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Edwin Joseph G. Galvez

Email Address

bo\_galvez@yahoo.com

Telephone Number/s

+632 637 8851

Mobile Number

9178625232

**CONTACT PERSON'S ADDRESS**

Unit 2701 Corporate Centre Julia Vargas, Ortigas Center, Pasig City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.  
**NOTE 2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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, 2018
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 [ ]

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#### Item 1. Financial Statements

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- Unaudited Consolidated Statement of Changes in Equity for the Third Quarter ended September 30, 2018 and 2017
- Unaudited Consolidated Statements of Cash Flows for the Third Quarter Ended September 30, 2018 and 2017
- Notes to Interim Consolidated Financial Statements

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

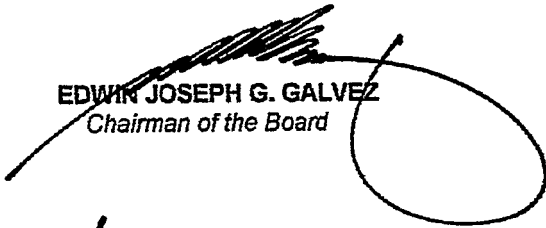
**PART 2 – OTHER INFORMATION**

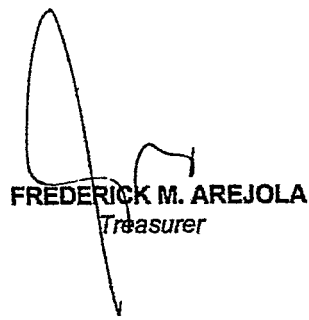
No contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor there are estimates of amounts reported in prior interim periods or of the current financial year that have material effect on the foregoing financial statements.

**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

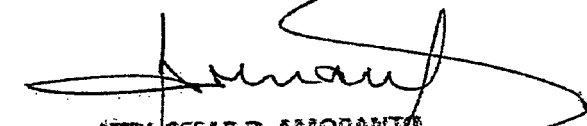
  
**FREDERICK M. AREJOLA**  
 Treasurer

  
**AGNES H. MARANAN**  
 Corporate Secretary

**SUBSCRIBED AND SWORN** to before this day of 3 2021, affiant(s). Exhibiting to me their valid identifications, as follows:

NAMES	IDENTIFICATION INFORMATION
Edwin Joseph G. Galvez	SSS ID NO. 03-9269562-7
Frederick M. Arejola	Driver's license NO. ND2-98-363765
Agnes H. Maranan	UNIO CRN- 011-7398381-1

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 Book No. 194  
 Series of 2021

  
**ATTY. CESAR D. AMORANTO**  
 Notary Public  
 Pasig, San Juan, Pateros, W.M.  
 Until December 31, 2022  
 686 B Shaw Blvd, Kapitolyo, Pasig City  
 PR 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, 2018, and with Comparative Audited Figures as at December 31, 2017

(In Philippine Peso)

	Notes	September 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	8	1,218,551	1,249,444
Advances to related parties	7	234,353,183	238,903,160
Input VAT	9	1,597,657	1,597,657
<b>Total Current Assets</b>		<b>237,169,391</b>	<b>241,750,261</b>
<b>TOTAL ASSETS</b>		<b>237,169,391</b>	<b>241,750,261</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	64,524,590	52,915,120
Advances from related parties	7	149,745,900	72,655,982
Income tax Payable		11,565,385	11,565,385
<b>Total Liabilities</b>		<b>225,835,875</b>	<b>137,136,487</b>
<b>Capital Deficiency</b>			
Share capital	11	2,156,250,900	2,156,250,900
Additional paid-in-capital	11	268,309	268,309
Treasury shares	11	(595,111)	(595,111)
Deficit	11	(2,149,490,718)	(2,056,484,213)
Equity attributable to the equity holders of the Parent		6,433,380	99,439,885
Non-controlling interests	3	4,900,136	5,173,889
<b>Total Equity (Capital Deficiency)</b>		<b>11,333,516</b>	<b>104,613,774</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>237,169,391</b>	<b>241,750,261</b>

*See Notes to Consolidated Financial Statements.*

**GLOBALPORT 900, INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

As of and for the quarter ended September 30, 2018 and with Comparative Audited Figures as at September 30, 2017  
(In Philippine Peso)

	Notes	September 30,	September 30,	September 30,	September 30,	September 30,
		2018	2017	2018	2017	2017
		Current Year (3 months)	Previous Year (3 months)	Current Year to Date	Previous Year to Date	Previous Year to Date
General and administrative expenses	12	(33,486,007)	(6,363,668)	(93,282,449)	(17,741,290)	(17,741,290)
Other income	7, 13	787	-	2,191	-	-
Loss for the year		(33,485,221)	(6,363,668)	(93,280,258)	(17,741,290)	(17,741,290)
Income tax Expense		-	-	-	-	-
Net Income (loss) for the year		(33,485,221)	(6,363,668)	(93,280,258)	(17,741,290)	(17,741,290)
Other comprehensive income		-	-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(33,485,221)</b>	<b>(6,363,668)</b>	<b>(93,280,258)</b>	<b>(17,741,290)</b>	<b>(17,741,290)</b>
<b>Comprehensive income attributable to:</b>						
Equity holders of the Parent		(33,386,951)	(6,275,938)	(93,006,505)	(17,482,969)	(17,482,969)
Non-controlling interests	3	(98,270)	(87,730)	(273,753)	(258,322)	(258,322)
<b>BASIC/DILUTED LOSS PER SHARE</b>	17	<b>(0.0144)</b>	<b>(0.0027)</b>	<b>(0.0400)</b>	<b>(0.0075)</b>	<b>(0.0075)</b>

See Notes to Consolidated Financial Statements.

GLOBALPORT 900, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of September 30, 2018, and with Audited  
 Comparative Figures as at September 30, 2017  
 (In Philippine Peso)

	Attributable to equity holder of the parent				Non-controlling interests	Total	
	Share capital -- Note	Additional paid-in capital -- Note	Treasury shares -- Note	Deficit			Total
Balance as of January 01, 2017	2,156,250,000	268,309	(595,111)	(2,068,415,219)	87,507,979	5,494,545	93,002,524
Issuance of Shares	900	-	-	-	900	-	900
Total Comprehensive income (loss) for the period	-	-	-	(17,482,969)	(17,482,969)	(258,322)	(17,741,290)
Balance as of September 30, 2017	2,156,250,900	268,309	(595,111)	(2,085,898,188)	70,025,910	5,236,223	75,262,133
Total Comprehensive income (loss) for the period	-	-	-	29,413,975	29,413,975	(62,334)	29,351,641
Balance as of December 31, 2017	2,156,250,900	268,309	(595,111)	(2,056,484,213)	99,439,885	5,173,889	104,613,774
Total comprehensive income (loss) for the period	-	-	-	(93,006,505)	(93,006,505)	(273,753)	(93,280,258)
<b>BALANCE AT SEPTEMBER 30, 2018</b>	<b>2,156,250,900</b>	<b>268,309</b>	<b>(595,111)</b>	<b>(2,149,490,718)</b>	<b>6,433,380</b>	<b>4,900,136</b>	<b>11,333,516</b>

**GLOBALPORT 900, INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

As of and for the quarter ended September 30, 2018 and with Audited Comparative Figures as at September 30, 2017  
(In Philippine Peso)

	September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before tax	(93,280,258)	(17,741,290)
Adjustments for:		
Advertising and promotion	7, 12      4,549,977	4,549,973
Interest income	13      (2,191)	-
Operating loss before working capital changes	(88,732,472)	(13,191,317)
Decrease (increase) in operating assets:		
Trade and other receivables	-	584,000
Input Vat	9      -	(233,799)
Increase (decrease) in operating liability:		
Trade and other payables	10      11,609,469	4,205,585
Cash used in operations	(77,123,003)	(8,635,531)
Interest received	16      2,191	-
Net cash used in operating activities	(77,120,811)	(8,635,531)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash advances from related party	7      77,089,918	8,410,703
Proceeds from Issuance of Capital	11      -	900
Net cash generated from financing activities	77,089,918	8,411,603
<b>NET INCREASE IN CASH</b>	<b>(30,893)</b>	<b>(223,929)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>8      1,249,444</b>	<b>1,492,857</b>
<b>CASH AT END OF YEAR</b>	<b>8      1,218,551</b>	<b>1,268,928</b>

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 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 P100 million to P2.1 billion, and the reduction in the par value from P100 to P1 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 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 May 4, 2012, the shareholders approved another increase in authorized share capital from P2.1 billion to P3 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, 2018 and December 31, 2017, 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 P1.638 billion. HCPHI is a domestic corporation registered with the SEC on September 12, 2007 as a holding Group and owned 68.11% of Harbour Centre Port Terminal, Inc. (HCPTI), a Company primarily engaged in port operations.

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 P300 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 ports, roads, 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 Centre, Julia Vargas St. cor. Meralco Ave., Ortigas Center, Pasig City.

## 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.

### **Going Concern Assumption**

The Group is not aware of any significant uncertainties that may cast doubts upon the Group's ability to continue as a going concern.

## **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, 2018 and December 31, 2017.

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.

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.

GLOBAL PORT 900, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2018, and with Audited Comparative Figures as at December 31, 2017

(In Philippine Peso)

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 Group	96.32%
Platinum Dredging Inc. (PDI)	Manila	General construction	99.99%

**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. From the date of acquisition until 2013, HCPHI had full control and ownership over HCPTI wherein full consolidation of financial statements were being done during those years. Subsequent to 2013, HCPHI was involved in a legal case involving ownership of HCPTI. 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. 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. Accordingly, the consolidated financial statements of the Group as at September 30, 2018 and December 31, 2017 do not include HCPTI.

**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.

**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, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

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

The amendments to PFRS 2 address the 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 method.

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.

These amendments are not expected to have any impact on the Group's financial reporting.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments projects 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.

Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

### Classification, Measurement and Impairment of Financial Assets

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. There were no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of PFRS 9 at January 1, 2018.

Financial assets	Notes	Original classification under PAS 39	New classification under PFRS 9	Original carrying amount under PAS 39	New carrying amount under PFRS 9
Cash	8	Loans and receivables	Amortized cost	1,249,444	1,249,444
Advances to related parties	7	Loans and receivables	Amortized cost	238,903,160	238,903,160
<b>Total financial assets</b>				<b>240,152,604</b>	<b>240,152,604</b>
<b>Financial liabilities</b>					
Trade and other payables	10	Amortized cost	Amortized cost	52,915,120	52,915,120
Advances from related parties	7	Amortized cost	Amortized cost	72,655,982	72,655,982
<b>Total financial liabilities</b>				<b>125,571,102</b>	<b>125,571,102</b>

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. There were no differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of PFRS 9 at January 1, 2018.

The Group is aware of the new guidelines set forth by the newly implemented PFRS 9 specifically on the impairment of financial asset effective January 1, 2018. The Group does not perceive future unfavourable events that would implicate an impairment to its financial assets.

- 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.

The amendments are not applicable to the Group since the Group has no activities that are predominantly connected with insurance or issue insurance contracts.

- 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 all annual periods beginning on or after January 1, 2018.

PFRS 15 is more prescriptive than the current PFRS for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to their current accounting systems and processes. Therefore, a successful implementation will require an assessment of and a plan for managing the change.

These amendments are not expected to have any impact on the Group's financial reporting since the Group has no revenue activity for the period ended September 30, 2018 and December 31, 2017.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 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 fair value measurement applied by that investment entity.

associate or joint venture to the investment entity associates' 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 associates or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associates 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 advances consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advances consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment of 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 of the beginning of a prior reporting period presented as a comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

### **New and Revised PFRSs in Issue but Not Yet Effective**

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

#### **Effective beginning on or after January 1, 2019**

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

These amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments to annual reporting period beginning on or after January 1, 2019. Earlier application is permitted.

This amendment has no impact to the Group's financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

#### 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 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 of joint ventures.

The amendments are not applicable since the Group does not have any sale or transfer of investments in other entities.

## 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 Instruments

#### *Initial recognition and subsequent measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and



- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Group's financial asset under this category includes cash.

*Financial assets at fair value through OCI (debt instruments)*

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at fair value through OCI as of September 30, 2018 and December 31, 2017.

*Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

The Group has no financial asset to be classified under this category.

*Financial assets at fair value through profit or loss*

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

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### **Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have

low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

As of the period ended, the Group has no financial assets in its financial statements that is subject for impairment.

#### **Advances to Related Parties**

Advances to related parties are the aggregate amounts of receivables for offsetting with the Group's acquired services and for liquidation with the Group's general and administrative expenses of the 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.

#### **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 input tax.

#### **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 the cash-generating units of 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 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, 2018 and December 31, 2017.

*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 represent 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 Group 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 Group 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 statement of financial position.

*Post-employment Benefits*

The Group has a non-contributory defined benefit retirement plan covering all of its regular employees. Retirement expense is determined using the projected unit credit actuarial valuation method taking into account the factors of discount rates, the expected rates of return on plan assets, expected rates of salary increases, employee turnover, mortality, and medical cost trend rates.

In the absence of an actuarial valuation, the Group adopted the provision of RA 7641, otherwise known as the Retirement Pay Law in recognizing retirement cost. Under the said RA, an employee upon reaching sixty (60) years or more, but not beyond sixty-five (65) years, who has served at least five (5) years in the Group shall be entitled to retirement pay.

Retirement cost is computed based on ½ month salary for every year of service, a fraction of six months being considered as one whole year. The term ½ month salary shall mean 15 days plus 1/12 of the 13th month pay and the cash equivalent of not more than five days' service incentive leaves. The recorded accrued retirement liability is the aggregate of the present value of the benefit obligation at the end of the reporting period.

*Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group 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:

- 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.

## 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, 2018, and December 31, 2017, the Group has determined that no contingencies will materially affect the Group's consolidated financial statement, hence no provisions are recognized.

#### *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.

*Determination of control over subsidiaries*

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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. From the date of acquisition until 2013, HCPHI had full control and ownership over HCPTI wherein full consolidation of financial statements were being done during those years. Subsequent to 2013, 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, 2018 and December 31, 2017 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 the legal dispute was finalized by the court on October 24, 2018 leading to the Group management decision to impair all of its investment to the companies involved in legal dispute as of September 30, 2018 and December 31, 2017.

*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 Advances to Related Parties*

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 advances to affiliates.

The carrying amount of advances to related parties tested for impairment amounted to P234,353,183 and P238,903,160, as of September 30, 2018 and December 31, 2017, respectively. No allowance for impairment was recognized in the same dates.

#### *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.

#### *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.

**GLOBAL PORT 900, INC. AND SUBSIDIARIES**

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**As of September 30, 2018, and with Audited Comparative Figures as at December 31, 2017**

(In Philippine Peso)

Related parties on this financial statement refer to Ultimate Parent and stockholders of the parent Group. They are as follows:

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

*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.

**GLOBALPORT 900, INC. AND SUBSIDIARIES**  
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**Trading Transactions**

There were no trading transactions occurred between related parties as of September 30, 2018 and December 31, 2017.

The Company's transaction and balances with related parties as of September 30, 2018 and December 31, 2017 are as follows:

Entity	Year	Transaction					Advances from	Advances to	Terms and conditions
		Advertising and Promotion - Note 17	Advances to	Advances from	Advances to	Advances from			
a) Sultan 900 Capital, Inc.	September 2018	4,549,977	(4,549,977)	-	234,353,183	-	-	no fixed term; non-interest bearing, unsecured	
	2017	6,066,631	(6,066,631)	-	238,903,160	-	-	non-interest bearing, unsecured, payable on demand	
b) Stockholder	September 2018	-	-	77,089,918	-	149,745,900	-	no fixed term; non-interest bearing, unsecured	
	2017	-	195,000,000	(36,222,563)	-	72,655,982	-	non-interest bearing, unsecured, payable on demand	
	September 2018	4,549,977	(4,549,977)	77,089,918	234,353,183	149,745,900			
	2017	6,066,631	188,933,369	(36,222,563)	238,903,160	72,655,982			

**GLOBAL PORT 900, INC. AND SUBSIDIARIES****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

As of September 30, 2018, and December 31, 2017

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- a) The Group has entered into an agreement to share in advertising and marketing with its Ultimate Parent, Sultan 900 Capital, Inc. (See Note 12)

*Offsetting*

The Group made cash advances to its parent for investment purposes in 2012. The Sultan 900 and the Parent Company agreed to offset the recharges of marketing expenses by the latter to the Group (see Note 12). As of September 30, 2018, and December 31, 2017, the total advances to Sultan 900 Capital, Inc. amounted to P40,863,404 and P43,903,160, respectively.

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

	September 30, 2018	December 31, 2017
Balance, beginning of year	43,903,160	49,969,792
Offsetting	(4,549,977)	(6,066,746)
Receivable from Related Party	195,000,000	195,000,000
<b>Balance, end of year</b>	<b>234,353,183</b>	<b>238,903,160</b>

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 provisions have been made for any impaired amount owed by related parties.

- a) Advances from 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, 2018	December 31, 2017
Balance, beginning of year	72,655,982	61,723,503
Advances made during the year	77,089,469	12,385,069
Payments made during the year	-	(1,452,590)
<b>Balance, end of year</b>	<b>149,745,900</b>	<b>72,655,982</b>

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

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 until the Parent Company has commercial operations.

*Key management compensation*

The Group considers as key management personnel 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.

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.



**GLOBAL PORT 900, INC. AND SUBSIDIARIES****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**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 ₱1,218,551 and ₱1,249,444 as at September 30, 2018 and December 31, 2017, respectively.

Cash in banks earn interest at the respective bank deposit rates. Interest income earned for the year ended September 30, 2018 and December 31, 2017 amounted to ₱2,191 and ₱379.

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

The Group's exposure to credit and foreign currency risks related to cash in banks is disclosed in Note 14 to the financial statements.

**9. INPUT VAT**

Input tax amounting to ₱1,597,657 as of September 30, 2018 and December 31, 2017, can be applied against output tax. Management believes that the amount is fully realizable in the future.

**10. TRADE AND OTHER PAYABLES**

This account consists of:

	September 30, 2018	December 31, 2017
Outside parties	53,262,031	40,135,674
Accrued expenses	6,247,566	5,485,692
Payable to government agencies	5,014,993	4,593,754
Other payables	-	2,700,000
	<b>64,524,590</b>	<b>52,915,120</b>

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

Accrued expenses generally include professional fees, penalties and interest incurred for the current period.

**11. SHARE CAPITAL**

The share capital of the Group is as follows:

	September 30, 2018	December 31, 2017
Share capital	2,156,250,900	2,156,250,900
Additional paid-in-capital	268,309	268,309
	<b>2,156,519,209</b>	<b>2,156,519,209</b>

Components of share capital are as follows:

	September 30, 2018		December 31, 2017	
	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:	(168,749,100)			

**GLOBAL PORT 900, INC. AND SUBSIDIARIES**

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Subscription receivable	(168,749,100)	(168,749,100)	(168,749,100)
Paid up capital	2,156,250,900	2,156,250,900	2,156,250,900

*Book value per share*

Book value per share amounted to (P0.001) and P0.046 in 2018 and 2017, respectively.

*Treasury shares*

This consists of 201,500 common shares, stated at acquisition cost of P595,111 as of September 30, 2018 and December 31, 2017.

**12. GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of:

	September 30, 2018 Current Year (3 months)	September 20, 2017 Previous Year (3 months)	September 30, 2018 Current Year to Date	September 30, 2017 Previous Year to Date
Project development expense	27,524,000		76,673,999	-
Professional fees	2,154,886	2,803,661	6,002,896	7,816,335
Advertising and promotion	1,516,659	1,697,323	4,549,973	4,731,972
Representation expense	1,005,891	36,425	2,477,129	101,550
Penalties and interest	338,702	558,201	943,527	1,556,210
Membership and association dues	78,400	80,845	218,400	225,389
Taxes and licenses	8,915	7,396	24,834	20,618
Meal expenses	6,779	-	18,885	-
Office supplies	5,005	5,310	13,943	14,804
Transportation and travel	1,155	76,331	3,217	212,805
Service fee	1,062	-	2,959	-
Fuel expense	1,429	3,211	3,982	8,950
Depreciation expense	-	-	-	-
Personnel costs	-	516,092	-	1,438,814
Repairs and maintenance	-	263,846	-	735,577
Rent expense	-	12,598	-	35,123
Utilities expense	-	8,109	-	22,607
Other expenses	843,126	294,320	2,348,705	820,536
	<b>33,486,008</b>	<b>6,363,668</b>	<b>93,282,449</b>	<b>17,741,290</b>

Advertising and promotion pertain to the recharges of marketing expenses by Parent Group (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:

	September 30, 2018 Current Year (3 months)	September 20, 2017 Previous Year (3 months)	September 30, 2018 Current Year to Date	September 30, 2017 Previous Year to Date
Legal	1,897,286	2,619,079	5,285,296	7,301,536
Agent	33,600	33,560	93,600	93,600
Audit	224,000	151,022	624,000	421,200
	<b>2,154,886</b>	<b>2,803,661</b>	<b>6,002,896</b>	<b>7,816,335</b>

**GLOBAL PORT 900, INC. AND SUBSIDIARIES****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**13. PERSONNEL COST**

The account is composed of the following expenses of the subsidiaries:

	<b>September 30, 2018 Current Year (3 months)</b>	September 20, 2017 Previous Year (3 months)	September 30, 2018 Current Year to Date	September 30, 2017 Previous Year to Date
Salaries and wages	–	458,127	–	1,277,148
Employee benefits	–	40,236	–	112,218
Government contributions	–	17,729	–	49,448
	–	516,092	–	1,438,814

**14. 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
- 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 did not have any significant concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date pertains only to cash in banks amounting to ₱1,218,551 and ₱1,249,444.

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*

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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, 2018 and December 31, 2017:

September 30, 2018	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	1,218,551	-	-	-	-	1,218,551
Advances to related party	234,353,183	-	-	-	-	234,353,183
	<b>235,571,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,571,734</b>
2017	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	1,249,444	-	-	-	-	1,249,444
Advances to related party	238,903,160	-	-	-	-	238,903,160
	<b>240,152,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,152,604</b>

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.

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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, 2018	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	Over 1 year
Trade and other payables	64,524,590	64,524,590	64,524,590	–	–
Advances from related parties	149,745,900	149,745,900	149,745,900	–	–
	<b>214,270,490</b>	<b>214,270,490</b>	<b>214,270,490</b>	<b>–</b>	<b>–</b>
2017	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	Over 1 year
Trade and other payables	52,915,120	52,915,120	52,915,120	–	–
Advances from related parties	72,655,982	72,655,982	72,655,982	–	–
	<b>125,571,102</b>	<b>125,571,102</b>	<b>125,571,102</b>	<b>–</b>	<b>–</b>

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.

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

	September 30, 2018	December 31, 2017
Total liabilities	225,835,875	137,136,487
Total equity	11,333,516	104,613,774
<b>Debt to equity ratio</b>	<b>19.93 : 1</b>	<b>1.31 : 1</b>

The Group is not subject to externally imposed capital requirements.

**15. 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, 2018		2017	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Assets</b>				
Cash in banks	1,218,551	1,218,551	1,249,444	1,249,444
Trade and other receivables	-	-	-	-
Advances to related parties	234,353,183	234,353,183	238,903,160	238,903,160
<b>Total</b>	<b>235,571,734</b>	<b>235,571,734</b>	<b>240,152,604</b>	<b>240,152,604</b>
<b>Financial Liabilities</b>				
Trade payables and accruals	64,524,590	64,524,590	52,915,120	52,915,120
Advances from related parties	149,745,900	149,745,900	72,655,982	72,655,982
<b>Total</b>	<b>214,270,490</b>	<b>214,270,490</b>	<b>156,536,684</b>	<b>156,536,684</b>

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 14.

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

The Company plans to expand and build portfolio of sustainable investments in ports and other infrastructure projects, subject to the approval of the Board of Directors.

**Analysis of Financial Condition and Results of Operations****As of September 30, 2018**

The following table shows the consolidated financial highlights of the Corporation for the quarterly ended September 30, 2018 with comparative figures of the previous years and as of December 31 for 2017.

	September 30, 2018	September 30, 2017
<b>Income Statement Data</b>		
Total Revenue	-	-
Gross Profit	-	-
Earnings Before Interest and Tax (EBIT)	(17,741,290)	(17,741,290)
Net Income (Loss)	(17,741,290)	(17,741,290)
Depreciation	-	-

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Taxes	-	-
Interest Expense	-	-
	<b>September</b>	<b>December 31,</b>
	<b>30, 2018</b>	<b>2017</b>
<b>Balance Sheet Data</b>		
Total Current Assets	237,169,391	241,750,261
Property and Equipment - net	-	-
Total Assets	237,169,391	241,750,261
Current Liabilities	225,835,875	137,136,487
Total Liabilities	225,835,875	137,136,487
Stockholders' Equity	11,333,516	104,613,774
Total Liabilities & Stockholders' Equity	237,169,391	241,750,261
Current Ratio	1.05	1.76
Solvency Ratio	1.05	1.76
Debt to Equity Ratio	19.93	1.31
Interest rate coverage ratio	-	-
Gross Profit Margin	0%	0%
Net Profit Margin	0%	0%

The following table shows the consolidated financial highlights of the Corporation for the quarterly ended September 30, 2018 with comparative figures of the previous years and as of December 31, 2017.

Based on the above table the following are key performances indicators of the Corporation for September 30, of 2018 and December 31, 2017:

- (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.
- (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, 2018 vs December 31, 2017**

Current year's decrease in the total assets is due to the off-setting of marketing expenses from advances of the Group to its ultimate parent.

Current year's increase in the total liabilities is due to increase in purchase of services from third parties and increase in advances from stockholders to fund the operations of the Group.

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**Change in Operating Results – September 30, 2018 vs December 31, 2017**

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, 2014. The non-commercial operations of the Group for the period ended September 30, 2018 resulted to a net loss of P (93,006,505).

**16. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**

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

	<b>September 30, 2018 Current Year (3 months)</b>	<b>September 30, 2017 Previous Year (3 months)</b>	<b>September 30, 2018 Current Year to Date</b>	<b>September 30, 2017 Previous Year to Date</b>
Net loss attributable to equity holders of the Parent (a)	<b>(33,386,951)</b>	<b>(6,275,938)</b>	<b>(93,006,505)</b>	<b>(17,482,969)</b>
Weighted average number of shares outstanding (b)	<b>2,324,798,500</b>	<b>2,324,798,500</b>	<b>2,324,798,500</b>	<b>2,324,798,500</b>
Basic/diluted earnings (loss) per share (a/b)	<b>(0.0144)</b>	<b>(0.0027)</b>	<b>(0.0400)</b>	<b>(0.0075)</b>

As at September 30, 2018 and December 31, 2017, the Group has no dilutive debt or equity instruments.