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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2019

GMA Holdings Inc. ended the first half of 2019 with a pre-tax income of ₱945 thousand, a 49% drop from last year's pre-tax income of ₱1.84 million as a result of lower revenues. Net income after tax amounted to ₱729 thousand, 55% lower than last year's net income after tax of ₱1.62 million, as an effect of lower revenues.

Revenues for the first semester of 2019 registered at ₱1.40 million, lower than last year's ₱2.32 million. Exercise fees posted lower at ₱184 thousand which were generated from the conversion of 4,123,800 PDR shares compared to ₱1.38 million from 30,966,800 PDR shares converted in 2018. On the other hand, interest income increased to ₱1.22 million from last year's ₱942 thousand due to higher interest income earned on cash placement.

For the six months ended June 30, 2019, operating expenses amounted to ₱458 thousand vis-a-vis ₱488 thousand in 2018 mainly due to lower listing fees and taxes & licenses. This year's professional fees ended higher at ₱238 thousand versus ₱230 thousand last year, which include accrual of audit fee, BDO trust fee and legal fee. In the same manner, taxes and licenses representing amortization of local business tax for the first half of 2019, went down to ₱18 thousand from ₱19 thousand last year due to lower 2018 revenues which is the tax base for 2019 payment.

Year-to-date listing fees of ₱197 thousand went down by ₱31 thousand from last year's ₱227 thousand due to the offshoot of lower market cap. The ₱197 thousand unexpired portion of listing fee was included under "Other current assets" in the statements of financial position. Moreover, PDR conversion fees from January to June 2019 decreased to ₱745 versus last year's ₱4 thousand, due to lower number of PDR shares converted to common shares this year versus last year. Year-to-date transportation and miscellaneous expenses amounting to ₱5 thousand were incurred, primarily for the delivery service of PDR dividend checks to the stockholders and bank charges.

Financial Condition

Total assets as of June 30, 2019 amounted to ₱48.29 million, lower by 1% from ₱48.85 million as of end-2018 primarily due to the decrease in cash and cash equivalents, on account of payment of cash dividends to common stockholders.

KEY PERFORMANCE INDICATORS

The Company's key performance indicators are focused on the dividends it receives to meet PDR holders' expectations and monitor cash and cash equivalents levels to meet its obligations with respect to the Company's current and preceding year's operation.

KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS

- a) Trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

As of June 30, 2019, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

- b) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration or an obligation.

As of June 30, 2019, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.

- c) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There were no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created as of June 30, 2019.

- d) Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

For the period January 1, 2019 to June 30, 2019, there were no commitments for capital expenditures.

- e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company's results of operations depend largely on its ability to meet PDR holders' expectations from the dividends it receives and to monitor cash and cash equivalents levels to meet its obligations with respect to the Company's current and preceding year's operation. As of June 30, 2019, there were no known trends, events or uncertainties that were reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

- f) Any significant elements of income or loss that did arise from the issuer's continuing operations.

As of June 30, 2019, there were no significant elements of income or loss that did arise from the issuer's continuing operations.

- g) Causes for material changes in the Financial Statements.

Statements of Financial Position [June 30, 2019 (Unaudited) vs. December 31, 2018 (Audited)]

- Current assets decreased by ₱1.38 million to ₱27.75 million, mainly as a result of the decrease in cash and cash equivalents, on account of payment of cash dividends to common stockholders.
- Current liabilities increased by ₱103 thousand to ₱47.83 million, mainly due to VAT payable, accrued professional and audit fees.

- h) Seasonal aspects that had a material effect on the financial condition or results of operations.

As of June 30, 2019, there were no seasonal aspects that had a material effect on the financial condition or results of operations.

GMA HOLDINGS, INC.**STATEMENTS OF FINANCIAL POSITION**

	June 30, 2019	December 31, 2018
	Unaudited	Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 14 and 15)	27,183,653	28,827,996
Accounts receivable (Notes 14 and 15)	267,090	272,433
Other current assets	300,186	29,256
Total Current Assets	27,750,929	29,129,685
Noncurrent Asset		
Debt instrument at fair value through other comprehensive income (Notes 8, 14 and 15)	20,538,947	19,721,738
	48,289,876	48,851,423
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 9, 14 and 15)	553,277	446,619
Due to shareholders (Notes 13, 14 and 15)	47,271,600	47,271,600
Dividends payable (Note 10)	-	3,886
Income tax payable	1,644	1,733
Total Current Liabilities	47,826,521	47,723,838
Equity		
Capital stock (Note 10)	100,000	100,000
Retained earnings (Note 10)	824,408	2,305,847
Unrealized gain (loss) on debt instrument at fair value through other comprehensive income (Note 8)	(461,053)	(1,278,262)
Total Equity	463,355	1,127,585
	48,289,876	48,851,423

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

	2nd Quarter Ended June 30			Six Months Ended June 30		
	2019	2018	2017	2019	2018	2017
REVENUE						
Interest income (Notes 7 and 8)	607,021	469,926	484,647	1,218,873	941,875	955,509
Exercise fees (Note 6)	82,192	150,210	504,929	184,098	1,382,446	1,404,246
	689,213	620,136	989,576	1,402,971	2,324,321	2,359,755
OPERATING EXPENSES (Note 11)	228,888	251,601	241,047	457,904	488,143	482,844
INCOME BEFORE INCOME TAX	460,325	368,535	748,529	945,067	1,836,178	1,876,911
PROVISION FOR INCOME TAX (Note 12)	106,981	96,990	275,458	216,507	216,024	387,616
NET INCOME	353,344	271,545	473,071	728,560	1,620,154	1,489,295
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Item to be reclassified to profit or loss in subsequent periods:</i>						
Unrealized gain on debt instrument at fair value through other comprehensive income (Note 8)	366,260	-	-	817,209	-	-
Unrealized gain (loss) on available-for-sale investment	-	165,428	-	-	(196,130)	-
TOTAL COMPREHENSIVE INCOME	719,604	436,973	473,071	1,545,769	1,424,024	1,489,295
Basic/Diluted Earnings Per Share (Note 16)	35.33	27.15	47.31	72.86	162.02	148.93

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.**UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019, 2018 AND 2017**

	Capital Stock (Note 10)	Retained Earnings (Note 10)	Unrealized Gain (loss) on debt instrument at fair value through Other Comprehensive Income (Note 8)	Total
Balances as at January 1, 2019	100,000	2,305,848	(1,278,262)	1,127,586
Net income		728,560		728,560
Other comprehensive income			817,209	817,209
Total comprehensive income	-	728,560	817,209	1,545,769
Cash dividends (Note 10)		(2,210,000)		(2,210,000)
Balances as at June 30, 2019	100,000	824,408	(461,053)	463,355
Balances as at January 1, 2018	100,000	3,136,314	(429,499)	2,806,815
Net income		1,620,154		1,620,154
Other comprehensive income (loss)			(196,130)	(196,130)
Total comprehensive income (loss)	-	1,620,154	(196,130)	1,424,024
Cash dividends (Note 10)		(3,100,000)		(3,100,000)
Balances as at June 30, 2018	100,000	1,656,468	(625,629)	1,130,839
Balances as at January 1, 2017	100,000	1,107,223	(174,736)	1,032,487
Net income		1,489,294		1,489,294
Other comprehensive income				-
Total comprehensive income	-	1,489,294	-	1,489,294
Cash dividends (Note 10)		(1,000,000)		(1,000,000)
Balances as at June 30, 2017	100,000	1,596,517	(174,736)	1,521,781

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.

UNAUDITED STATEMENTS OF CASH FLOWS

	2nd Quarter Ended June 30			Six Months Ended June 30		
	2019	2018	2017	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Income (loss) before income tax	460,324	368,533	748,529	945,067	1,836,178	1,876,911
Adjustment for interest income (Notes 7 and 8)	(607,021)	(469,926)	(484,647)	(1,218,873)	(941,875)	(955,509)
Operating income (loss) before working capital changes	(146,697)	(101,393)	263,882	(273,806)	894,303	921,402
Decrease (Increase) in:						
Accounts receivable	72,210	(168,235)	387,865	(8,500)	243,210	(151,240)
Other current assets	98,361	98,071	51,901	(270,930)	(301,247)	(439,492)
Increase (Decrease) in accounts payable and other current liabilities	35,534	15,770	100,673	102,772	214,329	(16,227)
Cash flows provided by (used in) operations	59,408	(155,787)	804,321	(450,464)	1,050,595	314,443
Interest received	524,107	450,831	543,836	1,232,717	878,959	970,374
Income taxes paid	(109,110)	(93,985)	(96,930)	(216,596)	(213,020)	(191,102)
Net cash provided by (used in) operating activities	474,404	201,059	1,251,227	565,657	1,716,534	1,093,715
CASH FLOW FROM A FINANCING ACTIVITY						
Payment of cash dividends (Note 10 and 17)	(2,210,000)	(3,100,000)	(1,000,000)	(2,210,000)	(3,100,000)	(1,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(1,735,595)	(2,898,941)	251,227	(1,644,343)	(1,383,466)	93,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD						
	28,919,248	30,320,894	26,730,641	28,827,996	28,805,419	26,888,153
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 7)						
	27,183,653	27,421,953	26,981,868	27,183,653	27,421,953	26,981,868

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

GMA Holdings, Inc. (the Company) is incorporated in the Philippines to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of every kind and description. The registered office address of the Company is 5D Tower One, One McKinley Place, New Global Bonifacio City, Fort Bonifacio, Taguig City. The Company was registered with the Securities and Exchange Commission (SEC) on February 15, 2006.

The accounting and administrative functions of the Company are undertaken by GMA Network, Inc. (GMA), a company under common control.

In 2007, the Company issued Philippine Deposit Receipts (PDRs), which were listed and traded in The Philippine Stock Exchange, Inc. (PSE) (see Note 6).

The Company will not engage in any business or purpose other than in connection with the issuance of the PDRs, the performance of the obligations under the PDRs and the acquisition and holding of the underlying shares of GMA in respect of the PDRs issued. This includes maintaining the Company's listing with the PSE and maintaining its status as a Philippine person for as long as the Philippine law prohibits ownership of GMA's shares by non-Philippine person.

No reportable segment information is presented as the Company's limited operations are adequately presented in the statements of comprehensive income.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for debt instrument at fair value through other comprehensive income (FVOCI) as of June 30, 2019 and available-for-sale (AFS) investment as of June 30, 2018, which are measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new pronouncements which the Company adopted starting January 1, 2019. The adoption of these pronouncements did not have significant impact on the Company's financial position or performance unless otherwise indicated.

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments are not expected to have any impact to the Company.

- PFRS 16, *Leases*

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

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

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

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

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

These amendments are not expected to have any impact to the Company.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

These amendments are not expected to have any impact to the Company.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

The amendments are not applicable since the Company has no investment in associate or joint venture.

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

The interpretation addresses the accounting for income taxes when tax treatments involves uncertainty that affects the application of PAS 12, *Income Taxes*, 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 Company is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Company but may apply to future business combination.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not expected to have significant impact to the Company.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments are not expected to have any impact to the Company.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments are currently not applicable to the Company but may apply on future business combinations of the Company.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

The Company is currently assessing the potential effect of the amendments on its financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that

issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required.

The standard is not applicable to the Company since it is not engaged in providing insurance nor issuing insurance contracts.

Deferred effectivity

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

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

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

4. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in statement of financial position based on current/noncurrent classification.

An asset as current when it is:

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

A liability is current when:

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

The Company classifies all other assets and liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of change in value.

Fair Value Measurement

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Details as to how the fair value of assets and liabilities are measured are provided in Note 15.

Financial Instruments

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

a. Initial Recognition and Subsequent Measurement of Financial Assets Upon Adoption of PFRS 9

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company 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 Company 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 Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Company has no financial assets at FVTPL as at June 30, 2019.

The Company's financial assets are under the financial assets at amortized cost and financial assets at FVOCI with recycling of cumulative gains and losses classification.

Financial Assets at Amortized Cost (Debt Instruments). This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 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.

As at June 30, 2019, the Company's cash and cash equivalents and accounts receivable are classified under this category.

Financial Assets at FVOCI (Debt Instruments). The Company measures debt instruments at FVOCI if both 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 FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in statement of comprehensive income 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.

As at June 30, 2019, the Company's unquoted debt security is classified under this category.

b. Initial Recognition and Subsequent Measurement of Financial Assets Before Adoption of PFRS 9

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All

financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

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

The Company has no financial assets at FVTPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at June 30, 2019.

Subsequent Measurement. The subsequent measurement of the financial assets depends on their classification as described below.

The Company's financial assets are under the loans and receivables and AFS financial assets classification.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. 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 and the losses arising from impairment are recognized in statement of comprehensive income.

The Company's cash and cash equivalents and accounts receivable are included under this category.

AFS Investments. The Company's AFS financial asset pertains to debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (OCI) and credited to the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

Impairment of Financial Assets

a. Impairment of Financial Assets Upon Adoption of PFRS 9

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

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

For cash and cash equivalents, and debt instrument at FVOCI, the Company applies the low credit risk simplification. The Company evaluates whether the debt instrument is considered to have low credit risk based on the external credit rating of the debt instrument. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the loss allowance will be based on the lifetime ECL. The Company assesses that there is a significant increase in credit risk of a financial asset when default occurs.

For trade-related accounts receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For other receivables, the Company applies the general approach and calculates ECL based on the 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instruments since initial recognition.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Impairment of Financial Assets Before Adoption of PFRS 9

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

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in the statement of comprehensive income.

AFS Investments. For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's accounts payable and other current liabilities (excluding deferred output VAT) and due to shareholders are included under this category.

Subsequent Measurement. The subsequent measurement of financial liabilities depends on their classification as described below.

Payables. After initial recognition, payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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 is included as interest expense in the statement of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of Financial Instruments

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings. Retained earnings represent the Company's accumulated earnings, net of dividends declared.

Dividends. The Company recognizes a liability to make cash distribution to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Philippines, a distribution is authorized when it is approved by the BOD. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting date.

Revenue Recognition

a. Revenue from Contracts with Customers Upon Adoption of PFRS 15

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

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

Exercise Fees. Revenue is recognized at a point in time upon conversion of PDRs to common shares.

b. Revenue Recognition Outside the Scope of PFRS 15

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

c. Revenue Recognition Prior to Adoption of PFRS 15

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.

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

Exercise Fees. Revenue is recognized upon conversion of PDRs to common shares.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Expenses

Expenses presented as “Operating expenses” account in the statements of comprehensive income are recognized as incurred.

Taxes

Current Income Tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, 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 income will be available against which the temporary differences can be utilized.

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Income tax relating to OCI is recognized in OCI section of the statements of comprehensive income.

Value-added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is presented as “Other current assets” or part of “Accounts payable and other current liabilities” accounts in the statement of financial position, respectively.

Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year. The Company has no dilutive potential common shares outstanding, therefore, basic EPS is the same as diluted EPS.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets 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 interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements 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 in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date

Post period-end events that provide additional information about the Company’s position at the reporting date (adjusting events) are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes to financial statements when material.

5. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and

disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be determinable under the circumstances.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at 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. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when these occur.

Determining Fair Value of Debt Instrument at FVOCI/AFS Investment. The Company has no intention of selling its debt instrument at FVOCI / AFS investment in the near term. It is being held indefinitely and may be sold in response to liquidity requirements or changes in market condition.

Since the debt instrument at FVOCI / AFS investment is not traded in an active market, the fair value is determined using appropriate valuation technique, which is the discounted cash flow methodology. The inputs to the model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

The determination of the fair value of the debt instrument at FVOCI / AFS investment is discussed in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The Company's assessment on the recognition of deferred income tax assets on carryforward benefits of NOLCO and excess MCIT is based upon the likely timing and level of forecasted taxable income in the subsequent periods. This forecast is based on the Company's future expectations on revenue and expenses.

The Company did not recognize deferred income tax assets amounting to ₱0.33 million and ₱0.57 million as at June 30, 2019 and December 31, 2018, respectively as management believes that sufficient taxable profit will not be available against which the deductible temporary differences can be utilized (see Note 12).

6. **Philippine Deposit Receipts**

On July 30, 2007 and August 21, 2007, the Company issued 822,115,000 and 123,317,000 PDRs relating to GMA shares, respectively. Total number of issued PDRs is 945,432,000 for a consideration of ₱8.50 per share or ₱8,036,172,000.

Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one GMA share or the sale of and delivery of the proceeds of such sale of one GMA share. The Company remains to be the registered owner of the GMA shares covered by the PDRs. The Company also retains the voting rights over the GMA shares.

The GMA shares are still subject to ownership restrictions on shares of corporations engaged in mass media and GMA may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on July 30, 2007, and the same may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of GMA shares received by the Company shall be applied toward the operating expenses of the Company for the current and preceding years. A further amount equal to the operating expenses in the preceding year shall be set aside to meet operating or other expenses for the succeeding years. Any amount in excess of the aggregate of the operating expenses paid and the operating fund for such period shall be distributed to PDR holders pro-rata on the first business day after such cash dividends are received by the Company.

Upon exercise of the PDRs, an exercise price of ₱0.05 (VAT inclusive) per share shall be paid by the PDR holders. The exercise price is shown as “Exercise fees” account in the statements of comprehensive income. Exercise fees amounted to ₱0.18 million, ₱1.38 million and ₱1.40 million for the six-month period ended June 30, 2019, 2018 and 2017, respectively.

Immediately prior to the closing of the PDR offering and additional issuances described above, GMA, to which the Company is affiliated, transferred 945,432,000 GMA shares to the Company in relation to which the PDRs were issued. For as long as the PDRs are not exercised, the shares underlying the PDRs will continue to be registered in the name of, and owned by the Company, and all rights pertaining to these shares, including voting rights, shall be exercised by the Company. The obligations of the Company to deliver the GMA shares on exercise of the right contained in the PDRs are secured by the Pledge of Shares in favor of the Pledge Trustee acting on behalf of each holder of a PDR over the GMA shares.

At any time after the PDR offering, a GMA shareholder may, at his option and from time to time, deliver shares to the Company in exchange for an equal number of PDRs. The exchange is based on prevailing traded value of GMA shares at the time of transaction with the corresponding PDR option price.

As discussed above, the Company retains the rights to receive the cash flows from its investment in GMA and assumes a contractual obligation to pay those cash flows to the PDR holders, net of operating expenses (a “pass-through” arrangement). The “pass-through” test is met because the Company (a) has no obligation to the PDR holders unless it collects equivalent amounts from its investment in GMA, (b) is contractually prohibited from selling or pledging its investment in GMA other than as security to the PDR holders for the obligation to pay the cash flows, and (c) has an obligation to remit any cash flows from the investment in GMA to the PDR holders without material delay.

Under the “pass-through” test, the Company is deemed to have transferred substantially the risks and rewards of its investment in GMA. Accordingly, the investment in GMA and the liabilities related to the issuance of the PDRs are not recognized by the Company.

The following are the details and movements of the PDRs and the underlying GMA shares for the three months ended June 30, 2019:

	PDRs		Number of Shares	
	2019	2018	2019	2018
Balance at beginning of year	₱6,237,702,050	₱6,564,040,850	733,847,300	772,240,100
Exercise of PDRs	(35,052,300)	(263,217,800)	(4,123,800)	(30,966,800)
Balance at end of period	₱6,202,649,750	₱6,300,823,050	729,723,500	741,273,300

On March 29, 2019, the Company's BOD approved a cash distribution to PDR holders of ₱0.45 per share in relation to dividends declared by GMA to all shareholders of record as at April 22, 2019. These were remitted to the PDR holders on May 15, 2019.

On April 5, 2018, the Company's BOD approved a cash distribution to PDR holders of ₱0.50 per share totaling ₱371.96 million, in relation to dividends declared by GMA to all shareholders of record as at April 23, 2018. These were remitted to the PDR holders on May 15, 2018.

On March 27, 2017, the Company's BOD approved a cash distribution to PDR holders of ₱0.73 per share totaling ₱595.24 million, in relation to dividends declared by GMA to all shareholders of record as at April 20, 2017. These were remitted to the PDR holders on May 16, 2017.

The BOD approved a resolution to pass on the entire amount of the cash dividends received from GMA without deducting the Company's 2019, 2018 and 2017 projected operating expenses on March 29, 2019, April 5, 2018 and March 27, 2017, respectively. Such expenses shall be covered by the interest income from the Company's cash and cash equivalents, AFS investment and debt instrument at FVOCI.

7. Cash and Cash Equivalents

	June 30, 2019	December 31, 2018
	Unaudited	Audited
Cash on hand and in bank	₱569,893	₱2,279,421
Short-term deposits	26,613,790	26,548,575
	₱27,183,653	₱28,827,996

Cash in bank earns interest at bank deposit rate. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱0.65 million, ₱0.38 million, and ₱0.39 million for the six-month period ended June 30, 2019, 2018 and 2017, respectively.

8. Debt Instrument at Fair Value Through Other Comprehensive Income / Available-for-Sale Investment

In 2014, the Company purchased at par a ten-year Union Bank of the Philippines (UBP) Tier Note with a face value of ₱21.00 million bearing a fixed interest rate of 5.38% from the 1st to the 21st interest payment dates and an interest rate based on the five year (5Y) PDST-R2 plus 196 basis point (bps) from the 22nd interest payment date to the last interest payment date. The interest is payable quarterly. The maturity date of this note is on February 20, 2025.

The movements of debt instrument at FVOCI are as follows:

	June 30, 2019	December 31, 2018
	Unaudited	Audited
Cost		
Balance at beginning of year, as previously presented	₱21,000,000	₱—
Reclassification from AFS investment	—	21,000,000

Balance at beginning of year, as adjusted, and end of year	21,000,000	21,000,000
Unrealized gain (loss) on debt instrument at FVOCI		
Balance at beginning of year, as previously presented	(1,278,262)	–
Reclassification from AFS investment	–	(429,499)
Balance at beginning of year, as adjusted	(1,278,262)	(429,499)
Unrealized gain (loss) during the year	817,209	(848,763)
Balance at end of year	(461,053)	(1,278,262)
	₱20,538,947	₱19,721,738

Interest income earned from the UBP Tier Note amounted to ₱0.56 million for the six-month period ended June 30, 2019, 2018 and 2017.

9. Accounts Payable and Other Current Liabilities

	June 30, 2019	December 31, 2018
	Unaudited	Audited
Accounts payable	₱10,526	₱9,380
Accrued expenses:		
Professional fees	477,500	435,000
Others	1,022	505
Deferred output VAT	2,644	1,734
Output VAT	21,181	–
Expanded withholding tax payable	1,500	–
Final withholding tax payable	38,904	–
	₱553,277	₱446,619

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within the next financial year. Accrued expenses represent audit fees, retainer fees and miscellaneous expenses.

10. Equity

a. Capital Stock

The Company has 10,000 authorized, issued and outstanding common shares with ₱10.00 par value per share.

The following summarizes the information on the Company's registration of securities with the SEC as required by Securities Regulation Code Rule 68, As Amended (2011):

Date of SEC Approval	Authorized Number of Shares	Number of Issued Shares	Issue/ Offer Price
July 30, 2007	945,432,000	945,432,000	₱8.50

b. Retained Earnings

On March 29, 2019, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱2.21 million to all stockholders of record as at April 22, 2019 and were paid on May 14, 2019.

On April 5, 2018, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱3.10 million to all stockholders of record as at April 9, 2018 and were paid on May 15, 2018.

On March 27, 2017, the BOD approved the Company's declaration and distribution of cash dividends amounting to ₱1.00 million to all stockholders of record as at April 10, 2017 and were paid on May 9, 2017.

11. Operating Expenses

The components of the company's operating expenses for the six-month period ended June 30 are as follows:

	2019	2018	2017
Listing fees	₱196,706	₱227,311	₱248,846
Professional fees	237,500	230,429	207,033
Taxes and licenses	18,015	18,962	17,506
PDR conversion expenses	745	3,875	5,600
Transportation	834	4,383	659
Miscellaneous	4,104	3,183	3,200
	₱457,904	₱488,143	₱482,844

12. Income Taxes

Provision for income tax as shown in the statements of comprehensive income for the six month-period ended June 30 consists of the following:

	2019	2018	2017
Final tax on interest income	₱212,825	₱188,375	₱191,101
MCIT	3,682	27,649	196,515
	₱216,507	₱216,024	₱387,616

The reconciliation of the provision for income tax computed at statutory income tax rate to provision for income tax as shown in the statements of comprehensive income for the six-month period ended June 30 is summarized as follows:

	2019	2018	2017
Provision for income tax computed at statutory income tax rate of 30%	₱283,520	₱550,854	₱563,073

Income tax effects of:			
Movement in unrecognized deferred tax assets	298,649	(54,049)	111,197
Interest income subjected to final tax	(365,662)	(282,563)	(286,653)
Expired NOLCO and MCIT	–	1,782	–
	P216,507	P216,024	P387,617

Deferred Tax Assets

The components of unrecognized deferred tax assets are as follows:

	June 30, 2019	December 31, 2018
	Unaudited	Audited
NOLCO	P144,768	P144,768
Unrealized loss on debt instrument at FVOCI	138,316	383,479
MCIT	44,446	44,446
	P327,530	P572,693

The component of deferred tax asset pertaining to unrealized loss on debt instrument at FVOCI in June 30, 2019 and December 31, 2018, respectively, are related to equity.

As at June 30, 2019, NOLCO and MCIT that can be claimed as deduction from future taxable income and RCIT due, respectively, are as follows:

	Carryforward Benefit		
Date Paid/Incurred	Up To	NOLCO	MCIT
December 31, 2016	December 31, 2019	P482,560	P10,167
December 31, 2018	December 31, 2021	–	34,279
		P482,560	P44,446

The movements in NOLCO and MCIT follow:

	June 30, 2019	December 31, 2018
	Unaudited	Audited
NOLCO:		
Balance at beginning of year	P482,560	P1,188,294
Application	–	(705,734)
Balance at end of year	P482,560	P482,560
MCIT:		
Balance at beginning of year	P44,446	P11,949
Addition	–	34,279
Expiration	–	(1,782)
Balance at end of year	P44,446	P44,446

Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018. Although the TRAIN changes the existing tax law and includes several provisions that generally affected businesses on a prospective basis, the management assessed that the same did not have significant impact on the financial statement balances.

13. Related Party Disclosures

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

Terms and Conditions of Transactions with Related Parties

There have been no guarantees provided or recovered for any related party receivables or payables and settlements occur in cash. In January to June of 2019 and as at December 31, 2018, the Company's financial statements include the following amounts resulting from the transactions with related parties:

Category	Year	Amount/Volume of Transactions	Outstanding Payable	Terms	Conditions
Shareholders					
Portion of proceeds retained from the issuance of PDRs	2019 2018	₱– ₱–	₱47,271,600 ₱47,271,600	On demand upon exercise of PDRs, noninterest-bearing	Unsecured
Belo, Gozon, Elma Law Firm	2019 2018	80,000 160,000	440,000 360,000	On demand, noninterest- bearing	Unsecured

The outstanding balance of "Due to shareholders" account in the statements of financial position pertains to the portion of the original proceeds from the issuance of PDRs retained by the Company as the PDR issuer in consideration for the rights granted under the PDRs equivalent to ₱0.05 per PDR. This amount will be used for the liquidation of expenses related to the issuance of the PDRs. Any excess is to be remitted to the selling shareholders.

The Company's key management personnel are employed by GMA and no part of their salaries was allocated to the Company.

14. Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash and cash equivalents, accounts receivable, AFS investment and debt instrument at FVOCI. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as accounts receivable, accounts payable and other current liabilities (excluding VAT) and due to shareholders, which arise directly from its operations.

The main risks arising from the Company's financial statements are as follows:

- *Liquidity Risk.* Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Interest Rate Risk.* Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

- *Credit Risk.* Credit risk arises from default of the counterparty.

The BOD reviews and approves the Company's objectives and policies.

Liquidity Risk

The Company's objective in liquidity management is to ensure that the Company has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of investment opportunities as they arise.

The Company manages its liquidity risk by using its cash and cash equivalents from operations and interest income from AFS investment to meet its short-term liquidity needs. The Company likewise regularly evaluates other financing instruments and arrangements to broaden the Company's range of financing sources.

The tables below summarize the maturity profile of the Company's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at June 30, 2019 and December 31, 2018:

	As at June 30, 2019 (Unaudited)			Total
	On Demand	3 to 12 Months	More than 1 year	
Financial Assets				
Cash and cash equivalents	₱27,183,653	₱-	₱-	₱27,183,653
Accounts receivable	267,090	-	-	267,090
Debt instrument at FVOCI	-	939,077	19,599,870	20,538,947
	₱27,450,743	₱939,077	₱19,599,870	₱47,989,690
Financial Liabilities				
Accounts payable and other current liabilities*	₱529,452	₱-	₱-	₱529,452
Due to shareholders	10,785,425	36,486,175	-	47,271,600
	₱11,314,877	₱36,486,175	₱-	₱47,801,052

*Excluding VAT amounting to ₱23,825.

	As at December 31, 2018 (Audited)			Total
	On Demand	3 to 12 Months	More than 1 year	
Financial Assets				
Cash and cash equivalents	₱28,827,996	₱-	₱-	₱28,827,996
Accounts receivable	272,433	-	-	272,433
Debt instrument at FVOCI	-	867,200	18,854,538	19,721,738
	₱29,100,429	₱867,200	₱18,854,538	₱48,822,167
Financial Liabilities				
Accounts payable and other current liabilities*	₱444,885	₱-	₱-	₱444,885
Due to shareholders	10,579,235	36,692,365	-	47,271,600
	₱11,024,120	₱36,692,365	₱-	₱47,716,485

*Excluding deferred output VAT amounting to ₱1,734.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt security which is subject to fair value interest rate risk.

Fair Value Interest Rate Risk. The Company's debt security earns interest at a fixed rate of 5.38% from the 1st to the 21st interest payment dates and a rate based on the 5Y PDST-R2 plus 196 bps from the 22nd interest payment date to the last interest payment date. The following table below demonstrates the sensitivity of fair value changes due to possible change in interest rates with all other variables held constant (through the impact on other comprehensive income).

	Increase (Decrease) in Basis Points	Effect on Equity	
		June 30, 2019 Unaudited	December 31, 2018 Audited
Debt instrument at FVOCI	50	(P926,086)	(P1,735,549)
	(50)	18,089	(806,192)

Credit Risk

With respect to credit risk arising from cash and cash equivalents, accounts receivable and debt security, the Company's exposure to credit risk arises from default of the counterparty. The maximum exposure of accounts receivables and debt security is equal to their carrying amounts. For cash and cash equivalents, the maximum exposure is P26.68 million and P28.33 million as at June 30, 2019 and December 31, 2018, respectively, or the carrying amount less insured amount by the Philippine Deposit Insurance Corporation equivalent to the actual cash in bank balance to a maximum of P0.50 million per depositor per bank. It is the Company's policy to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. The Company has an internal mechanism to monitor the granting of credit and management of credit exposures. The Company will make provisions, when necessary, for potential losses on credits extended. The Company does not require any collateral for its financial assets.

As at June 30, 2019 and December 31, 2018, the financial assets are generally viewed by management as good and collectible considering the credit history of the counterparties. No financial assets were identified by the Company as past due or impaired financial assets as at June 30, 2019 and December 31, 2018.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Company using high grade and standard grade as internal credit ratings.

High Grade. This pertains to a counterparty who is not expected by the Company to default in settling its obligations, thus, credit risk exposure is minimal. This normally includes large prime financial institutions and related parties.

Standard Grade. Other financial assets not classified as high grade are included in this category.

The Company classified its cash and cash equivalents (excluding cash on hand), accounts receivable and debt security as high grade financial assets as at June 30, 2019 and December 31, 2018.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, payoff existing debts, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes as at June 30, 2019 and for the two years ended December 31, 2018 and 2017.

The Company's capital management is undertaken by GMA. The Company's capital includes the total equity, before other comprehensive income, which amounted to ₱0.92 million and ₱2.41 million as at June 30, 2019 and December 31, 2018, respectively.

The Company is not subject to externally imposed capital requirements.

15. Fair Value Measurement

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

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Other Current Liabilities (excluding VAT) and Due to Shareholders

The carrying amounts of these financial instruments approximate their fair values due to the short-term maturities of these financial instruments.

Debt Instrument at FVOCI

The estimated fair value of debt instrument at FVOCI is based on the discounted values of future cash flows. The discount rates used were based on the spot yield curve derived from government securities of different tenors plus an estimate of the counterparty's credit spread, which is based on the counterparty's credit rating. The fair value is under level 3 of the fair value hierarchy.

The following table below demonstrates the sensitivity of credit spread (through the impact on other comprehensive income).

	Increase (Decrease) in Basis Points	Effect on Equity	
		June 30, 2019 Unaudited	December 31, 2018 Audited
Debt instrument at FVOCI	50	(₱465,034)	(₱457,686)
	(50)	479,142	472,071

16. Basic/Diluted Earnings Per Share Computation

Basic/diluted EPS for the six-month period ended June 30 are computed as follows:

	2019	2018	2017
Net income (loss) attributable to equity holders (a)	₱728,560	₱1,620,154	₱1,489,295
Common shares issued at beginning and end of year (b)	10,000	10,000	10,000
Basic/diluted earnings (loss) per share (a/b)	₱72.86	₱162.02	₱148.93

The Company has no dilutive potential common shares outstanding therefore basic EPS is same as diluted EPS.

GMA HOLDINGS, INC.**Schedule of Financial Ratios**

Financial Ratios	Description	June 30, 2019 Unaudited	December 31, 2018 Audited
Current/liquidity ratio	Current assets over current liabilities	0.58	0.61
Asset to equity ratio	Total asset over total equity	104.22	43.32
Debt to equity ratio	Total liabilities over total equity	103.22	42.32

Financial Ratios	Description	June 30, 2019 Unaudited	June 30, 2018 Unaudited	June 30, 2017 Unaudited
Return on equity	Net income over total equity	157%	143%	98%
Return on asset	Net income over total assets	2%	3%	3%
EBITDA margin	Earnings before interest, tax and depreciation and amortization over total revenue	67%	79%	80%

OTHER FINANCIAL INFORMATION

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C, if any.

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: **GMA HOLDINGS, INC.**

By:


FELIPE S. YALONG
Chief Operating Officer/Chief Financial Officer


RONALDO P. MASTRILI
Comptroller/Chief Accounting Officer

August 13, 2019