

COVER SHEET

SEC Registration Number

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COMPANY NAME

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A	N	D		S	U	B	S	I	D	I	A	R	I	E	S															

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

lara.lorenzana@phresorts.com

Company's Telephone Number

(632) 800-8493

Mobile Number

N/A

No. of Stockholders

19

Annual Meeting (Month / Day)

3rd Wednesday of June

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Lara Lorenzana

Email Address

lara.lorenzana@phresorts.com

Telephone Number/s

(632) 800-8493

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

Unit 709, 7th Floor, The Infinity Tower, 26th Street, Bonifacio Global City, Taguig City 1634

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.

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.

PHILIPPINE H2O VENTURES CORP.

SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2018**
2. SEC Identification No. **CS200901269**
3. BIR Tax Identification No. **007-236-853-000**
4. Exact name of registrant as specified in its charter:
PHILIPPINE H2O VENTURES CORP.
5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code : _____ (SEC Use Only)
7. Address of principal office and Postal Code:
4th Floor 20 Lansbergh Place, Tomas Morato Ave. cor. Scout Castor St., 1103 Quezon City
8. Registrant's telephone no. and area code: **(632) 800-8493**
9. Former name, address, and fiscal year, if changed since last report: **Not applicable**
10. Securities registered pursuant to Sections 4 & 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock</u> <u>Outstanding &/or Amount of Debt</u>
Common Stock, ₱ 1 par value	<u>Outstanding</u> 243,241,504 shares

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes ☒ No ☐
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days:
Yes ☒ No ☐

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PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited September 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	P109,771,968	P102,797,117
Trade and other receivables (Note 7)	–	77,766,878
Due from related parties (Note 13)	–	32,330,639
Prepaid expenses and other current assets (Note 8)	–	11,987,080
Total Current Assets	109,771,968	224,881,714
Noncurrent Assets		
Deposit for future stock subscription (Note 13)	406,351,691	–
Available-for-sale investment	–	1,546,252
Investment in associate (Note 9)	–	976,925
Property and equipment - net (Note 10)	–	950,095,004
Deferred tax assets (Note 14)	–	12,933,064
Other noncurrent assets	–	16,887,351
Total Noncurrent Assets	406,351,691	982,438,596
TOTAL ASSETS	P516,123,659	P1,207,320,310
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payable and other current liabilities (Note 11)	P6,977,369	P172,654,931
Due to related parties (Note 13)	–	10,047,031
Short-term loans payable (Note 12)	–	35,000,000
Current portion of long-term loans payable (Note 12)	–	23,932,804
Income tax payable	–	13,195,043
Total Current Liabilities	6,977,369	254,829,809
Noncurrent Liabilities		
Noncurrent portion of long-term loans payable (Note 12)	–	312,782,821
Retirement benefit obligation	–	9,852,453
Customers' deposits	–	21,913,436
Deferred tax liabilities (Note 14)	–	16,651,667
Total Noncurrent Liabilities	–	361,200,377
Total Liabilities	6,977,369	616,030,186
Attributable to Equity Holders of the Parent Company		
Capital stock	243,241,504	243,241,504
Additional paid-in capital	58,073,612	58,073,612
Revaluation surplus in property and equipment	–	23,509,019
Fair value gain on available-for-sale investment	–	544,450
Reserve on actuarial loss	–	(1,132,855)
Retained earnings	207,831,174	168,296,392
	509,146,290	492,532,122
Noncontrolling interest	–	98,758,002
Total Equity	509,146,290	591,290,124
TOTAL LIABILITIES AND EQUITY	P516,123,659	P1,207,320,310

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Quarters Ended September 30			Nine Months Ended September 30		
	2018	2017		2018	2017	
WATER SERVICE REVENUES	P-	P-		P-	P-	
COSTS OF SERVICES	-	-		-	-	
GROSS INCOME	-	-		-	-	
OPERATING EXPENSES	6,833,386	117,044		12,505,064	1,446,867	
LOSS FROM CONTINUING OPERATIONS	(6,833,386)	(117,044)		(12,505,064)	(1,446,867)	
GAIN ON SALE OF INVESTMENT IN SUBSIDIARIES (Note 17)	-	-		8,390,813	-	
OTHER INCOME – NET	119,040	1,836		427,387	6,755	
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(6,714,346)	(115,208)		(3,686,864)	(1,440,112)	
PROVISION FOR CURRENT INCOME TAX (Note 14)	-	-		-	-	
NET LOSS FROM CONTINUING OPERATIONS	(6,714,346)	(115,208)		(3,686,864)	(1,440,112)	
INCOME FROM DISCONTINUED OPERATIONS	-	7,352,896		19,749,210	27,340,235	
NET INCOME (LOSS)	(6,714,346)	7,237,688		16,062,346	25,900,123	
OTHER COMPREHENSIVE INCOME	-	-		-	-	
TOTAL COMPREHENSIVE INCOME (LOSS)	(P6,714,346)	P7,237,688		P16,062,346	P25,900,123	

(Forward)

(Carryforward)

	Quarters Ended September 30			Nine Months Ended September 30		
	2018	2017		2018	2017	
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY FROM:						
Continuing operations	(P6,714,346)	(P115,208)		(P2,583,220)		(P1,440,112)
Discontinued operations	-	7,965,723		19,197,388		29,150,181
	(P6,714,346)	P7,850,515		P16,614,168		P27,710,069
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST FROM:						
Continuing operations	P-	P-		P-		P-
Discontinued operations	-	(612,827)		(551,822)		(P1,809,946)
	P-	(P612,827)		(P551,822)		(P1,809,946)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY FROM:						
Continuing operations	(P6,714,346)	(P115,208)		(P2,583,220)		(P1,440,112)
Discontinued operations	-	7,965,723		19,197,388		29,150,181
	(P6,714,346)	P7,850,515		P16,614,168		P27,710,069
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST FROM:						
Continuing operations	P-	P-		P-		P-
Discontinued operations	-	(612,827)		(551,822)		(P1,809,946)
	P-	(P612,827)		(P551,822)		(P1,809,946)
LOSS PER SHARE FROM CONTINUING OPERATIONS	(P0.0276)	(P0.0005)		(P0.0106)		(P0.0059)
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS	P-	P0.0327		P0.0789		P0.1198

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

	Attributable to the Equity Holders of the Parent Company							
	Capital Stock	Additional Paid-in Capital	Revaluation Surplus in Property and Equipment	Fair Value Gain on Sale on Available-for- sale Investment	Reserve on Actuarial Loss	Retained Earnings	Total	Noncontrolling Interest
Balance at December 31, 2017	P243,241,504	P58,073,612	P23,509,019	P544,450	(P1,132,855)	P168,296,392	P492,532,122	P98,758,002
Total comprehensive income	-	-	-	-	-	16,614,168	16,614,168	(551,822)
Cash dividends (Note 1)	-	-	-	-	-	-	-	(144,108)
Equity attributed to the deconsolidated subsidiaries (Note 17)	-	-	(23,509,019)	(544,450)	1,132,855	22,920,614	-	-
NCI attributed to the deconsolidated subsidiaries (Note 17)	-	-	-	-	-	-	-	(98,062,072)
Balance at September 30, 2018 (Unaudited)	P243,241,504	P58,073,612	P-	P-	P-	P207,831,174	P509,146,290	P-
Balance at December 31, 2016	P243,241,504	P58,073,612	P20,789,073	P474,943	P215,973	P130,805,848	P453,600,953	P35,320,333
Total comprehensive income	-	-	-	-	-	27,710,069	27,710,069	(1,809,946)
Balance at September 30, 2017 (Unaudited)	P243,241,504	P58,073,612	P20,789,073	P474,943	P215,973	P158,515,917	P481,311,022	P33,510,387
								P514,821,409

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax and noncontrolling interest		
from continuing operations	(P3,686,864)	(P1,440,112)
Income before income tax and noncontrolling interest		
from discontinued operations	29,935,665	44,317,093
Adjustments to reconcile income (loss) before income tax		
to net cash flows:		
Depreciation and amortization	16,916,016	28,172,948
Gain on sale of investment in a subsidiary (Note 17)	(8,390,813)	—
Operating income before working capital changes	34,774,004	71,049,929
Working capital adjustments:		
Decrease (increase) in:		
Trade and other receivables	20,792,471	16,423,814
Due from related parties	15,473,130	71,898
Prepaid expenses and other current assets	(553,464)	(1,999,643)
Increase (decrease) in:		
Trade payable and other current liabilities	(48,598,548)	(78,522,870)
Customers' deposits	2,194,554	2,285,054
Net cash generated from operations	24,082,147	9,308,182
Income taxes paid	(14,928,416)	(16,276,849)
Net cash provided by (used in) operating activities	9,153,731	(6,968,667)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of a subsidiary	442,000,000	—
Payment of deposit for future stock subscription	(406,351,691)	—
Cash of deconsolidated subsidiary (Note 17)	(47,982,298)	—
Acquisitions of property, plant and equipment	(3,773,505)	(17,696,808)
Increase in other noncurrent assets	(739,674)	—
Net cash used in investing activities	(16,847,168)	(17,696,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan and interest drawings (payments)	14,796,851	(15,125,748)
Payments to related parties	(96,601)	—
Cash dividend payments	(31,962)	—
Net cash provided by (used in) financing activities	14,668,288	(15,125,748)
NET INCREASE (DECREASE) IN CASH	6,974,851	(39,791,223)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	102,797,117	138,829,991
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P109,771,968	P99,038,768

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Philippine H2O Ventures Corp. (“Parent Company” or “H2O”) formerly Calapan Ventures Inc. was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE). The registered office address of the Parent Company is at 4th Floor, 20 Lansbergh Place Bldg., 170 Tomas Morato, Quezon City.

The Parent Company was incorporated primarily to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act.

On August 18, 2014, the SEC approved the change of name of the Parent Company from Calapan Ventures, Inc. to Philippine H2O Ventures Corp.

The consolidated financial statements include the accounts of Philippine H2O Ventures Corp. and the following subsidiaries (collectively referred to as the “Group”) as at and for the year ended December 31, 2017:

	Dates of Incorporation	Effective Percentages of Ownership
Calapan Waterworks Corporation (CWWC)	May 23, 1991	99.75
Group’s ownership through CWWC of Metro Agoo Waterworks Inc. (MAWI)	September 17, 2012	84.12

The principal activities of the subsidiaries are as follows:

Name of subsidiaries	Principal activity
CWWC	Operates, manages and maintains the general business of development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes.
MAWI	Engage in the operation, management and maintenance of development and utilization of water resources. Acquire, own, lease, construct, install, equip, operate, manage and maintain plants.

On December 19, 2017, the Parent Company was notified by Jolliville Holdings Corporation (JHC, former parent company of H2O) that the latter along with its subsidiaries and related parties will be selling all their shareholdings in the Parent Company representing 62% of the issued and outstanding capital of the Parent Company to Udenna Development Corporation (UDEVCO), or to any of the latter’s subsidiaries or affiliates (the H2O Sale).

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp, a wholly-owned subsidiary of JHC), entered into a purchase agreement, subject to the conditions, with the Parent Company to purchase the latter's shares and interests, in CWWC consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a total consideration of ₱442.0 million. Closing of the purchase and sale transaction of CWWC sale shall take place upon the approval by the Parent Company's stockholders representing at least two-thirds of the outstanding capital stock, and confirmation by UDEVCO and JHC and that all the conditions related to the H2O sale have been satisfied or waived, or will be satisfied or waived by virtue of the closing of the CWWC sale. On April 4, 2018, the Parent Company's stockholders approved the CWWC sale. On June 1, 2018, the Parent Company sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Parent Company lost its control over CWWC.

On February 28, 2018, JHC and UDEVCO entered into a Share Purchase Agreement (SPA) to acquire 150,824,890 common shares representing 62.006% of the issued and outstanding common shares of H2O for a total purchase price of ₱647.9 million or ₱4.30 per share under the terms and conditions set forth in the SPA. One of the conditions to the H2O Sale is the implementation and completion by H2O of a spin-off by selling all of its existing business and assets, including shares and interest in its subsidiaries. The Parent Company shall also collect all receivables, settle all its obligations, assign its contractual interests, transfer or reassign all of its employees and settle and dissolve its retirement fund. On April 25, 2018, UDEVCO subsequently assigned all of its rights and obligations under the SPA to Udenna Corporation (Udenna). H2O will become a holding company for the tourism-related businesses of Udenna.

On April 25, 2018, as a requirement under the Securities Regulation Code (SRC), Udenna has launched a mandatory tender offer to acquire the remaining 92,416,614 common shares representing 37.994% of the issued and outstanding common shares of H2O and filed a Tender Offer Report with the SEC and Philippine Stock Exchange (PSE). The tender offer commenced from April 30, 2018 to May 29, 2018. On May 30, 2018, no shareholders tendered their shares.

On June 1, 2018, H2O sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Company lost its control over CWWC. On the same date, upon completion of the tender offer and fulfillment of the conditions as provided in the SPA, the common shares of the SPA were transferred to Udenna through a special block sale in PSE. Accordingly, effective June 1, 2018, Philippine H2O Ventures Corp. became a subsidiary of Udenna, a company incorporated in the Philippines.

From June 13 to July 3, 2018, Udenna acquired additional 19,457,486 shares through a special block sale in PSE, effectively owning additional 7.994% ownership in H2O.

On June 25, 2018, the BOD and the stockholders also approved the following amendments to the Company's Articles of Incorporation (AOI):

- Change of corporate name from Philippine H2O Ventures Corp. to PH Resorts Group Holdings, Inc.
- Change the primary purpose of H2O as follows –
“to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in the hotel and/or gaming and entertainment business, without however engaging in the dealership of securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest”.

- Change of registered principal office address from 4th Floor, 20 Lansbergh Place Bldg., 170 Tomas Morato, Quezon City to GGDC Administrative Services Building, Clark Global City, Clark Freeport Zone, Pampanga, Philippines 2023.
- Change the number of directors from seven to nine.
- Increase in authorized capital stock from ₱500,000,000, consisting of 500,000,000 common shares with a par value of ₱1.00 per share to ₱8,000,000,000 consisting of 8,000,000,000 common shares with a par value of ₱1.00 per share.

As at September 30, 2018, the SEC has not yet approved the amendments in the Parent Company's AOI.

On June 27, 2018, Udenna and H2O executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 44,654,000 shares of PH Travel and Leisure Holdings Corp. (PH Travel, its wholly-owned subsidiary), representing its 8.93% interest ownership, to H2O in exchange for cash consideration in the amount of ₱406.4 million.

On the same date, the Udenna and H2O also executed a deed of assignment wherein Udenna assigned, transferred, and conveyed 453,346,000 shares of PH Travel, representing its 91.07% interest ownership, to H2O in exchange for the issuance of 4,143,648,309 shares of H2O to be issued at ₱1.00 par value per share for a total share swap consideration of ₱4,143.6 million (Share Swap Consideration). The Parent Company shall apply the share swap consideration in payment of its subscription to the additional shares in the capital stock of H2O to be issued at the price of ₱1.00 per share from the proposed increase in the authorized capital stock of H2O. Upon effectivity, PH Travel will become a direct wholly owned subsidiary H2O.

The consolidated interim financial statements of Philippine H2O Ventures Corp. and subsidiaries for the six-month period ended September 30, 2018 were authorized for issue in accordance with a resolution of the BOD on October 25, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for available-for-sale investment and certain property and equipment which are stated at appraised values. These consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

These interim consolidated financial statements of the Group as at September 30, 2018 and for the nine-month periods ended September 30, 2018 and 2017 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, "Interim Financial Reporting".

The interim consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2017 and for the year ended December 31, 2017.

Basis of Consolidation

The consolidated financial statements include the accounts of Parent Company and the aforementioned subsidiaries (see Note 1) held directly or indirectly through wholly and majority-owned subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

A subsidiary is an entity that is controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if it has all the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

When Company has less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- Any contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company or its subsidiary's voting rights and potential voting rights

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when it ceases to have control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gains control until the date control is lost.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

The financial statements of the subsidiary are prepared for the same reporting period as the Company using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest in a subsidiary, without loss of control, is accounted for as an equity transaction. When the Company loses control of a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets and liabilities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Noncontrolling Interest

Noncontrolling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity they're in. Noncontrolling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the noncontrolling interest in excess of the non-controlling interests in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses.

Disposals of equity investments to noncontrolling interests result in gains and losses for the Parent Company are recorded in the consolidated Statements of comprehensive income. Purchase of equity shares from noncontrolling interests are accounted for as equity transaction (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and noncontrolling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity.

3. Changes in Accounting Policies and Financial Reporting Policies

New standards, interpretations and amendments adopted by the Parent Company

The accounting policies adopted in the preparation of the unaudited consolidated interim financial statements are consistent with those followed in the preparation of the Parent Company's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as at January 1, 2018. The Parent Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Parent Company applies, for the first time, Philippine Financial Reporting Standards (PFRS) 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments*, that require restatement of previous financial statements. As required by PAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the unaudited interim condensed financial statements of the Company.

PFRS 15 Revenue from Contracts with Customers

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations and it applies to all revenue arising from the contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for 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 standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Management believes that there is no material impact on the statements of financial position, statements of profit or loss and statements of cash flows since the Company's operating segments of which revenues are recognized were already considered as discontinued operations following the CWWC sale on June 1, 2018 (see Notes 1 and 4).

PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual period beginning on or after January 1, 2018 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied PFRS 9 retrospectively, with the initial application date on January 1, 2018 and adjusting the comparative information for the period beginning January 1, 2017.

Management believes that there is no material impact on the statements of financial position, statements of profit or loss and statements of cash flows since the Company's net assets underwent the spin off following the H2O sale on June 1, 2018 (see Notes 1 and 4).

IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's unaudited interim condensed financial statements.

Amendments to PAS 40, *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. These amendments do not have any impact on the Company's unaudited interim condensed financial statements.

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

The Philippine Accounting Standards Board (PASB) issued amendments to PFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments

and other criteria are met. The Company's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's unaudited interim condensed financial statements.

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

The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing PFRS 17, *Insurance Contracts*, which replaces PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. These amendments are not relevant to the Company.

Amendments to PAS 28, *Investments in Associates and Joint Ventures* - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Company's unaudited interim condensed financial statements.

Amendments to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of PFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Company's unaudited interim condensed financial statements.

Effective in 2019

- PFRS 16, "*Leases*"

Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

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

The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy (BoA).

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

Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination; a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i. e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the BoA.

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

The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances.

Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to

equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the BoA.

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Currently, the Group has no activities to which this interpretation will apply.
- PFRS 10, *"Consolidated Financial Statements"* and PAS 28, *Investments in Associates and Joint Ventures*: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated Statements of financial position based on current or noncurrent classification.

An asset is 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 equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

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 Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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 Group.

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value

measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

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 amount of cash, with original maturities of three months or less from acquisition dates and that are subject to an insignificant risk of changes in value.

Financial Assets and Liabilities

Recognition

The Group recognizes a financial asset or liability in the consolidated Statements of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss (FVPL).

Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

• *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the consolidated Statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as noncurrent assets.

• *Available-for-sale (AFS) financial assets*

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the other categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated Statements of comprehensive income. The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction; reference to the current market value of another instrument which is substantially the same; discounted cash flows analysis and option pricing models.

Classified under this category are the Group's mutual fund managed by an insurance company.

- *Other Financial Liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Impairment of Financial Assets

The Group assesses at end of each financial reporting period whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated Statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets are collectively assessed 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. If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized as part of profit or loss in the consolidated Statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Asset

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated Statements of comprehensive income, is transferred from statements of changes in equity to the consolidated Statements of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the consolidated Statements of comprehensive income.

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment is removed from statements of changes in equity and recognized in the consolidated Statements of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated Statements of comprehensive income; increases in their fair value after impairment are recognized directly in consolidated Statements of changes in equity.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows of an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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, and the difference in the respective carrying amounts is recognized in consolidated Statements of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated Statements of financial position if, and only 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated Statements of financial position.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized and regularly recurring in the normal course of the business. Prepayments and other current assets are initially recognized at cost. These are carried at cost less accumulated amortization and any allowance for impairment, if any.

The net amount of value-added tax (VAT) recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Trade payable and other current liabilities" in the consolidated Statements of financial position.

Input VAT

Input tax is recognized when an entity in the Group purchases goods or services from a VAT-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

Property and Equipment

Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value except for land and improvements and building and improvements.

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

Land and improvements and building and improvements are carried at appraised values as determined by an independent firm of appraisers on August 31, 2017. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus in Property and Equipment" shown under "Equity" section in the consolidated Statements of financial position. Other property and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Water utilities and distribution system	5 – 50
Building and improvements	25 –40
Office furniture and equipment	5
Transportation equipment	5
Leasehold improvements	10

Leasehold improvements are amortized over the estimated useful life of the assets or the term of the lease, whichever is shorter.

Construction in Progress included in the property and equipment is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in Progress is not depreciated until such time as the relevant assets are completed or installed and put into operational use.

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

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is credited or charged to current operations.

Investment in an Associate

Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is initially recognized at cost and subsequently accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. Any excess of the fair value of the identifiable assets, liabilities and contingent liabilities and assets of the investee company over cost is included in the determination of the Group's share of the profit or loss in the period in which the investment is acquired.

Under the equity method, the Group carries its investment in associate at cost, increased or decreased by the Group's equity in net earnings or losses of the investee company and reduced by dividends received. An associate is an entity over which the Parent Company is in a position to exercise significant or joint control, through participation in the financial and operating policy decision of the investee company, generally accompanying a shareholding between 20% to 50% of the voting rights, but which are neither subsidiaries nor interests in joint venture.

Impairment of Non-financial Assets

The carrying values of long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs.

Impairment losses are recognized in the consolidated Statements of comprehensive income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

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

A reversal of an impairment loss is credited to current operations.

Customers' Deposits

Customers' deposits are noninterest-bearing cash reservation fees received from the Group's customers for sales that do not meet the revenue recognition criteria (i.e., transfer of risk and rewards to customers through actual delivery of merchandise or services) as at reporting date. Customers' deposits will be applied against future rendition of services which are generally completed within the next twelve months or will be returned to customers in case of cancellation of reservation.

Employee benefits

- *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

- *Short-term benefits*

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

- *Retirement benefits*

Retirement benefits liability, as presented in the consolidated Statements of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the company and close members of the family of any such individual; and (d) other related parties such as directors, officers and stockholders.

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

Equity

- *Capital* stock is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- *Revaluation surplus* accounts for the excess of the fair market value over the carrying amounts of Land included under the "Property and equipment" account. Any appraisal decrease is first offset

against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.

- *Fair value gain on available-for-sale* investment accounts are the excess of the fair market value over the cost of investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to profit and loss in the year that the permanent fluctuation is determined.
- *Retained earnings* include all current and prior period net income less any dividends declared as disclosed in the consolidated Statements of changes in equity.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transactions will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any VAT. The following specific recognition criteria must also be met before revenue is recognized:

- *Water service revenues* are recognized when the related water services are rendered.
- *Sale of goods* is recognized upon delivery of goods sold, and the transfer of risks and rewards to the customer has been completed.
- *Financial income* is recognized on a time proportion basis that reflects the effective yield on the asset.
- *Other income* is recognized when the related income/service is earned.

Cost and Expense Recognition

Cost and expenses are recognized upon utilization of the service or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are recognized in the consolidated Statements of comprehensive income. Finance charges and similar expenses are reported on accrual basis.

VAT

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs included under "Property and Equipment" account in the consolidated Statements of financial position. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount

of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Income Taxes

Income taxes represent the sum of current year tax and deferred tax.

Current Tax

The current year tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated Statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and other comprehensive income.

Earnings per Share (EPS)

EPS is determined by dividing net profit for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

Segment Reporting

The Group's primary and only operating business is its water utilities and distribution services. While the Group's operations are spread on different regions in the Philippines, the Group has no geographical segment as the operations in various regions are all regulated by the NWRB.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and, c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

Contingencies

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

Events after the End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of the asset or liability affected in future periods.

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.

Judgments

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 consolidated financial statements:

Determination of Control. The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity.

H2O lost its control over CWWC and MAWI effective June 1, 2018 when it sold all of its investments in shares of stocks to TPC. H2O has derecognized the assets, liabilities and non-controlling interests of CWWC and MAWI at their carrying amounts at the date when the control was lost.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the end of financial reporting period 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:

Recoverability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each end of financial reporting period 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 tax assets to be utilized.

Management expects future operations will generate sufficient taxable profit that will allow all or part of the deferred income tax assets to be utilized.

6. Cash and Cash Equivalents

	September 30, 2018	December 31, 2017
Savings and checking deposits	₱109,771,968	₱43,776,448
Time deposits	—	58,800,669
Petty cash fund	—	220,000
	₱109,771,968	₱102,797,117

Time deposits are highly liquid investments that are readily convertible to known amounts of cash. Time deposits are placed for varying periods up to two months depending on the immediate cash requirements of the Group and earn interest 0.6% to 2.6% in 2017. Savings deposits earn interest at their respective bank deposit rates of less than 1% annually. Financial income earned on cash and cash equivalents amounted to ₱0.5 million and ₱0.9 million for the nine months ended September 30, 2018 and for the year ended December 31, 2017, respectively.

7. Trade and Other Receivables

	September 30, 2018	December 31, 2017
Trade	₱—	₱30,712,050
Receivable from sale of investment property	—	38,554,201
Others	—	10,855,515
	—	80,121,766
Less allowance for impairment	—	2,354,888
	₱—	₱77,766,878

On December 15, 2014, the investment property was sold for a total consideration of ₱80.4 million. The Group received down payment amounting to ₱7.3 million. As of December 31, 2017, total payments related to the sale amounted to ₱41.8 million with a remaining balance of ₱38.6 million.

Other receivables include advances to suppliers for the expansion program of CWWC and receivable from LGU in Tabuk for the installation and rehabilitation of water facilities.

No additional provision for doubtful accounts was provided for the nine months ended September 30, 2018 and for the year ended December 31, 2017.

8. Prepaid Expenses and Other Current Assets

	September 30, 2018	December 31, 2017
Input tax	₱—	₱9,688,836
Creditable withholding taxes	—	1,063,014
Utilities and other deposits	—	739,674
Prepaid expenses	—	495,556
	₱—	₱11,987,080

9. Investment in Associate

This account pertains to the Group's 39.87% investment in the stockholdings of Nation Water Corp. (NWC). The Associate was formed to maintain the general business of development and utilization of water resources which have for their objectives to harness, produce and supply water for domestic, municipal agricultural, commercial or recreational purposes.

The rollforward analysis of the net carrying value of this account is shown below:

	September 30, 2018	December 31, 2017
Cost	₱—	₱999,800
Accumulated equity in net loss:		
Balance at beginning of period	—	19,691
Equity in net loss during the period	—	3,184
Balance at end of period	—	22,875
Net carrying value	₱—	₱976,925

10. Property and Equipment - net

	December 31, 2017							
	Land and Improvements	Water Utilities and Distribution System	Buildings and Improvements	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	Construction in progress	Total
Cost								
Balances at beginning of year	P44,361,832	P589,841,428	P67,788,099	P1,522,895	P23,809,164	P12,821,906	P306,659,122	P1,046,804,446
Additions	—	25,504,478	1,737,020	—	1,849,926	8,142,400	48,973,895	86,207,719
Adjustment	—	—	—	—	—	—	(10,871,674)	(10,871,674)
Balance at end of year	P44,361,832	615,345,906	69,525,119	1,522,895	25,659,090	20,964,306	344,761,343	1,122,140,491
Accumulated Depreciation and Amortization								
Balances at beginning of year	347,408	139,108,511	8,553,309	1,516,405	11,758,467	6,952,740	—	168,236,840
Depreciation and amortization	—	29,285,582	2,461,975	6,490	3,725,057	2,017,033	—	37,496,137
Balance at end of year	347,408	168,394,093	11,015,284	1,522,895	15,483,524	8,969,773	—	205,732,977
Revaluation surplus:								
Balances at beginning of year	18,978,153	—	10,814,016	—	—	—	—	29,792,169
Appraisal increase	3,545,572	—	896,996	—	—	—	—	4,442,568
Depreciation and amortization	(179,968)	—	(367,279)	—	—	—	—	(547,247)
Balance at end of year	22,343,757	—	11,343,733	—	—	—	—	33,687,490
Net Book Value	P66,358,181	P446,951,813	P69,853,568	P1,522,895	P10,175,566	P11,994,533	P344,761,343	P950,095,004

In 2017, land and improvements, and building and improvements were revalued by an independent appraiser. The valuation is based on the fair market values using the Sales Comparison Approach by identification of the sales and listings of comparable properties registered in the vicinity. Appraisal increase was credited to statements of changes in equity under revaluation surplus in property and equipment account, net of deferred tax.

MAWI started construction of Aringay waterworks system in 2017. Progress billings capitalized as Construction in progress amounted to P23.7 million.

MAWI was approved as a VAT-registered entity in 2017. Consequently, MAWI reclassified the corresponding input tax in its suppliers' progress billings for the construction of waterworks system in Ago, La Union amounting to P10.9 million, from CIP to input tax under prepayments and other current assets.

Total borrowing costs capitalized in Construction in progress account amounted to P5.3 million for the year ended December 31, 2017.

Certain property and equipment under "Land and improvements" and "Water utilities and distribution system" with carrying values of P54.9 million as of December 31, 2017, were mortgaged in favor of a creditor bank in connection with the Group's loan availment (see Note 12).

The depreciation and amortization expense were charged to the following accounts in the consolidated Statements of comprehensive income:

	For the nine months ended September 30, 2018	For the year ended December 31, 2017
On profit and loss:		
Cost of services	13,008,592	29,812,584
Operating expenses	3,907,424	7,683,553
	16,916,016	37,496,137
On other comprehensive income -		
Cost of services	—	547,247
	₱16,916,016	₱38,043,384

11. Trade Payable and Other Current Liabilities

	September 30, 2018	December 31, 2017
Trade	₱—	₱72,683,689
Nontrade	6,977,369	—
Accrued expenses	—	44,865,897
Retention payable	—	42,507,593
Government payables	—	11,022,878
Subscription payable	—	749,900
Dividend payable	—	126,557
Others	—	698,417
	₱6,977,369	₱172,654,931

Trade and nontrade payables are payable within 15 to 30 days.

Accrued expenses include accrual for interest on loans, lease fee and utilities which are payable within 15 to 30 days.

The Group's trade payable and other current liabilities are non-interest bearing and are all short-term in nature.

12. Loans Payable

Short-term loans

- In 2017, CWWC availed short-term loans from a local bank amounting to ₱20.0 million for 90 days for an annual interest rate of 3.1% and ₱15.0 million for 15 days for an annual interest rate of 4%. These loans were fully paid as at September 30, 2018.
- In February 2018, CWWC availed short-term loan from a local bank amounting to ₱40.0 million for 90 days for an annual interest rate of 3.1%. This was fully paid as at September 30, 2018.

Long-term loans

- In 2005, CWWC entered into a loan agreement with a local bank for the rehabilitation, expansion and improvement of its waterworks system for ₱137.0 million payable in fifteen (15) years

inclusive of a maximum of two years grace period on principal. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. CWWC was able to negotiate the interest rate at 6.0% to 7.5% in 2018 and 2017, respectively.

Debt Covenant

CWWC executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of CWWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards; and (b) billed water/receivables until the amount of the loan is fully paid. The Reserve Fund shall be maintained for CWWC's expenses for maintenance, operation and emergency fund.

Also, CWWC mortgaged certain property and equipment situated in Calapan City, Oriental Mindoro in favor of the bank.

As of December 31, 2017, CWWC is in compliance with the loan covenants.

- b. In 2014, CWWC entered into another loan agreement with a local bank amounting to ₱118.2 million payable in ten (10) years with an annual interest rate of 6%. The proceeds of the loan will be used exclusively to finance water source development, acquisition of the three (3) sets electro-mechanical equipment, site and land equipment, construction of a high ground reservoir and expansion of its waterworks system.
- c. In 2015, MAWI entered into a loan agreement with a local bank to partially finance the Phase 1 of the proposed improvement and expansion of its water supply system for ₱280.0 million payable in fifteen (15) years inclusive of a maximum of two (2) years grace period on principal. Initial interest is fixed at 6.78% per annum reviewable and subject to adjustment.

Debt Covenant

MAWI executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of MAWI's Reserve Fund equivalent to at least 5% of its monthly revenue and shall be effective only after six (6) months from the date of commercial operation; and (b) billed water services until the amount of the loan is fully paid. The said Reserve Fund is subject to a hold-out provision equivalent to at least one (1) quarterly amortization due under this agreement.

Also, MAWI entered in to a Deed of Undertaking and Deed of Trust to constitute (a) within six (6) months from the date of full release of loan a real estate mortgage over all real properties, together with improvements to be acquired out of the total proceeds of the loan; (b) to increase its authorized capital stock and paid up capital within one (1) year of loan availment to at least ₱45.0 million and within two (2) years from the date of full release of loan to at least ₱92.0 million; and (c) a chattel mortgage over property and equipment to be acquired under the loan agreement.

As of December 31, 2017, MAWI is in compliance with the loan covenants.

Loans payable balance amounted to ₱371.7 million as of December 31, 2017.

13. Related Party Transactions

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

The following transactions have been entered into with related parties:

- a. Unsecured and non-interest bearing cash advances with related parties for investing and working capital purposes. Also, the Group availed unsecured and non-interest bearing cash advances from its major stockholder and affiliate for the acquisition of operating machinery and equipment. Settlements of these advances are made in cash.
- b. Management and consultancy agreement with an affiliate renewable annually upon such terms and conditions as may be mutually agreed upon by both parties.
- c. Lease of office space from an affiliate for a period of one year, renewable upon mutual agreement of both parties.
- d. Service agreement with an entity under common/shared ownership for the operations and maintenance of the water system facilities located in Agoo, La Union for a period of three years, renewable upon mutual agreement of both parties.
- e. In 2014, CWWC entered into a construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of Phase 1 of 2014 Expansion Program. Total contract price of the project amounted to ₱162.0 million. The total construction cost amounted to ₱125.1 million as of December 31, 2017. Retention payable amounted to ₱12.5 million as of December 31, 2017.
- f. In 2015, MAWI entered into a construction agreement with a related entity where the latter agreed to complete the execution and completion of Phase 1 of the Agoo Water System for a total contract price of ₱313.7 million. The total construction cost as of December 31, 2017 amounted to ₱300.0 million.
- g. In 2017, MAWI entered into another construction agreement with a related party where the latter agreed to complete the execution and completion of the proposed Aringay water system for a total contract price of ₱45.1 million. Total construction cost amounted to ₱23.7 million as of December 31, 2017. Retention payable in 2017 amounted to ₱30.0 million.
- h. On June 27, 2018, a Deed of Assignment was executed between the Parent Company and Udenna pursuant to which Udenna agreed to transfer all of its 44,654,000 shares in PH Travel in exchange for a total cash consideration of ₱406.3 million.

As at September 30, 2018, the cash consideration was fully paid to Udenna which was presented as "Deposit for future stock subscription" account in the statement of financial position.

14. Income Taxes

The Group's current income tax expense pertains to regular corporate income tax (RCIT).

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate.

The deferred tax assets represent the tax consequences of NOLCO, retirement benefit obligation, and allowances for impairment losses and excess MCIT over RCIT.

The deferred tax liability pertains to tax consequences of capitalized borrowing costs and appraisal increase in land under property and equipment.

The Group opted for the itemized deduction scheme for its income tax reporting in 2018 and 2017.

15. Earnings (Loss) Per Share

	For the Nine Months Ended September 30	
	2018	2017
Net loss attributable to the equity holders of the Parent		
Company from continuing operations	(P2,583,220)	(P1,440,112)
Divided by weighted average number of common shares	243,241,504	243,241,504
Loss per share from continuing operations	(P0.0106)	(P0.0059)
Net income attributable to the equity holders of the		
Parent Company from discontinued operations	P19,197,388	P29,150,181
Divided by weighted average number of common shares	243,241,504	243,241,504
Earnings per share from discontinued operations	P0.0789	P0.1198

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of September 30, 2018 and 2017; hence, diluted earnings per share is equal to the basic earnings per share.

16. Discontinued Operations

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp, a wholly-owned subsidiary of JHC), entered into a purchase agreement with H2O to purchase the latter's shares and interests, in CWWC consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a total consideration of P442.0 million. Closing of the purchase and sale transaction of CWWC sale shall take place upon the approval by the Parent Company's stockholders representing at least two-thirds of the outstanding capital stock, and confirmation by UDEVCO and JHC and that all the conditions related to the H2O sale have been satisfied or waived, or will be satisfied or waived by virtue of the closing of the CWWC sale.

On April 4, 2018, the Parent Company's stockholders approved the CWWC sale. As at March 31, 2018, CWWC was classified as assets/liabilities held for sale and as a discontinued operation.

The business of CWWC represents the entirety of the Parent Company's operating segment until April 4, 2018. With CWWC being classified as discontinued operations, CWWC is no longer presented in the segment note.

On June 1, 2018, the Parent Company sold all of its shares and interests in CWWC to Tubig Pilipinas Corp. Accordingly, the Parent Company lost its control over CWWC.

The results of CWWC for the period are presented below:

	For the nine-month period ended September 30	
	2018*	2017
Revenue	₱107,468,115	₱174,428,401
Expenses	(69,872,567)	(117,030,555)
Operating income	37,595,548	57,397,846
Finance costs	(7,659,883)	(13,080,753)
Profit before tax from discontinued operations	29,935,665	44,317,093
Tax expense	(10,186,455)	(16,976,858)
Profit after tax for the period from discontinued operations	₱19,749,210	₱27,340,235

* Represents five months of activity prior to sale on June 1, 2018

The net cash flows generated from the sale of CWWC is as follows:

Cash received from sale of the discontinued operations	₱442,000,000
Cash sold as part of discontinued operations	(47,982,298)
Net cash inflow on date of disposal	₱394,017,702

Earnings per share:

Basic, profit for the period from discontinued operations	₱0.0812	₱0.1124
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* Represents five months of activity prior to sale on June 1, 2018

As CWWC was sold prior to September 30, 2018, the assets and liabilities classified as held for sale are no longer included in the consolidated statements of financial position.

17. Deconsolidation of Subsidiaries

As discussed in Note 1, H2O sold all of its 99.75% investment in shares of stocks of CWWC to TPC for a total consideration of ₱442.0 million on June 1, 2018.

Consequently, H2O lost control in CWWC, and in effect, also lost control on MAWI. All assets, liabilities, equity and noncontrolling interests of CWWC and MAWI will be derecognized at their carrying amounts.

As of December 31, 2017, H2O holds 99.75% equity share in CWWC and 84.12% ownership through CWWC on MAWI. They are considered as subsidiaries in the 2018 first quarter and 2017 consolidated financial statements.

- a. The Group derecognized the assets, liabilities, and the carrying amount of the accumulated other comprehensive income and noncontrolling interest recorded in equity as of June 1, 2018.
- b. The Group recognized the fair value of the consideration received and any surplus or deficit in the September 30, 2018 consolidated statement of comprehensive income.

Fair value of the considerations received on the sale of equity interest	₱442,000,000
Carrying amount of noncontrolling interest upon loss of control	98,062,072
	<u>540,062,072</u>
Carrying amount of CWWC's and MAWI's net assets upon loss of control	531,671,259
Excess of fair value and proceeds over carrying amount	<u>₱8,390,813</u>
Realized gain on sale	₱16,346,032
Share in deconsolidated retained earnings of subsidiaries	(7,955,219)
Excess of fair value and proceeds over carrying amount	<u>₱8,390,813</u>

The realized gain on the sale follows:

Proceeds from sale	₱442,000,000
Carrying amount of the disposed interest	425,653,968
Realized gain on sale	<u>₱16,346,032</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Financial Position (Balance Sheet)

Total assets decreased by 57.25% or about ₱691.2 million as of September 30, 2018. The decrease can be attributed to the deconsolidation and disposal of its investment in subsidiaries.

Cash and cash equivalents increased by ₱7.0 million mainly due to proceeds received from the sale of its investment in subsidiaries.

Results of Operations

On June 1, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp.), a wholly-owned subsidiary of JHC purchased of all the Parent Company's shares and interests in CWWC consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a consideration of ₱442 million (the CWWC Sale). The CWWC Sale resulted in the realized gain on sale of subsidiary amounting to ₱16.3 million.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of CWWC and MAWI. The fluctuation in this account is tied-in to the operating results of CWWC and MAWI and to the Parent Company's overall ownership in the former.

Dividends

No dividends were declared in the years 2018 and 2017.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

As discussed in Note 1, one of the conditions to the H2O Sale is the implementation and completion by H2O of a spinoff by selling all of its existing business and assets including shares and interest in its subsidiaries and settlement of all H2O's obligations.

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Group, including any Default or Acceleration of an Obligation

None

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

On June 27, 2018, subject to the SEC approval of the Parent Company's increase in authorized capital stock, a deed of assignment was executed between the Parent Company and Udenna pursuant to which Udenna agreed to transfer all its shares in PH Travel and Leisure Corp. in exchange for (1) its subscription to 4,143,648,309 shares in the Parent Company, and (b) cash for a total acquisition price of ₱4,550,000,000. The transaction is the acquisition by the Company of all the equity interests of Udenna

in PH Travel consisting of 500,000,000 issued and outstanding common shares with a par value of ₱1.00 per share. As a result of this transaction, PH Travel will become a direct wholly owned subsidiary of the Parent Company. The Parent Company will become a holding company for the tourism-related businesses of Udenna.

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

This is already incorporated in the discussion under “Material Off-Balance Sheet Transactions”.

Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item

This is already incorporated in the discussion under “Results of Operations” and “Financial Position”.

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

None

Any Significant Elements of Income or Loss that did not arise from Continuing Operations

This is already incorporated in the discussion under “Results of Operations” and “Financial Position”.

Financial Risk Disclosure

Please refer to Note 4 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments of the Group.

The main purpose of the Group’s financial instruments is to fund the Group’s operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk. The Group’s BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and serve its maturing obligations. The Group’s objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Credit risk

Credit risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through regular coordination with the customers. 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 also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Philippine H2O Ventures Corp. and subsidiaries
Schedule of Financial Indicators

KEY PERFORMANCE INDICATORS

		SEPTEMBER	
		2018*	2017
I. PROFITABILITY			
Return on Total Assets	=	$\frac{\text{NI} + \{(\text{interest exp} \times (1 - \text{tax rate}))\}}{\text{Ave. Total Assets}}$	
		18,490,783	35,377,677
		861,721,985	1,182,830,076
It measures efficiency of the Group in using its assets to generate net income.		0.0215	0.0299
Return on Equity			
	=	$\frac{\text{Annual Net Income}}{\text{Ave. Stockholder's Equity}}$	
		16,062,346	25,900,123
		550,218,207	501,871,348
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.		0.0292	0.0516
II. FINANCIAL LEVERAGE			
Debt Ratio	=	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	
		6,977,369	635,136,584
		516,123,659	1,149,957,993
It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.		0.0135	0.5523

Debt to Equity Ratio	=	Total Liabilities	6,977,369	635,136,584
		Shareholder's Equity	509,146,290	514,821,409
It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business			0.0137	1.2337

III. MARKET VALUATION

Price to Book Ratio	=	Market value/share	4.90	6.10
		Book value/share	2.09	2.12
Relates the Group's stock to its book value per share			2.34	2.88

** Includes five months of activity of the operating subsidiary prior to sale on June 1, 2018 and consequently deconsolidation*

Below is the aging analysis of receivables:

There are no receivable balances as of September 30, 2018.

December 31, 2017					
	Current	31 to 60 days	61 to 90 days	More than 90 days	Total
Trade	₱15,867,773	₱551,817	₱195,834	₱11,741,738	₱28,357,162
Advances and nontrade	85,000	85,130	30,000	49,209,586	49,409,716
Total	₱15,952,773	₱636,947	₱225,834	₱60,951,324	₱77,766,878

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

(Amounts in Philippine Pesos)

Beginning Unappropriated Retained Earnings	₱211,518,038
Add: Net loss from continuing operations for the nine months ended September 30, 2018	(3,686,864)
Retained Earnings Available for Dividend Declaration	₱207,831,174

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS
SEPTEMBER 30, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for Firsttime adopters*		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture*		✓	
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014–2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Shortterm Receivables and Payables	✓		
	Annual Improvements (2011-2013 Cycle): Portfolio Exception	✓		
PFRS 15	Regulatory Deferral Accounts		✓	
	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements of comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture*		✓	
	Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle)*		✓	
	Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information ‘elsewhere in the Interim Financial Report’*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			✓
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of acceptable methods of amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40, Investment Property, Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15 Agreements for Construction of Real Estate*		✓	✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
SIC-32	Intangible Assets - Web Site Costs			✓

*These are effective subsequent to December 31, 2017 **Adopted but no significant impact.

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.

PHILIPPINE H2O VENTURES CORP.

By:



DENNIS A. UY

Chairman of the Board



RAYMUNDO MARTIN ESCALONA

President



LARA C. LORENZANA

Chief Financial Officer

Signed this 25th day of October 2018